



PART A: News pertaining to Planning Commission



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Compiled by:

S. Wadhawan, ALIO
Mrs. Varsha Satija, SLIA
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[Note : Now the Daily Digest is divided into two parts: Part A contains News pertaining to Planning Commission and Part B contains general News and Views]



April 1, 1950: Jawaharlal Nehru presiding over the inaugural meeting of the Planning Commission in New Delhi.

Ministries to accommodate 60% plan panel staff, IEO to be dissolved

Chetan Chauhan chetan@hindustantimes.com

Hindustan Times (Delhi): 5 Sep 2014

NEW DELHI: In its first step towards scrapping the Planning Commission, the government will post about 60% of the panel employees in different ministries and will wind up the Independent Evaluation Office (IEO) that suo moto recommended the commission's dissolution.

IEO's director general Ajay Chibber was fired last Friday, while the remaining staff will have to go back to their parent departments, sources said, adding that hired consultants would be given the option to work with different departments.

The IEO was an attached office of the panel set up in October 2013 but its recommendation to scrap the panel did not go down well with the panel officials who termed it a breach of its terms of reference.

The panel told the Prime Minister's Office that there was already a project evaluation wing in the commission called the Project Evaluation Office (PEO) and therefore the IEO was not required.

Government sources said that another attached office, the Unique Identification Authority of India (UIDAI), is likely to be brought under the ambit of the Information Technology ministry once the panel is fully dismantled. However, the PMO will monitor Aadhaar enrollment and its other functions.

Similarly, the Rainfed authority will report to the agriculture ministry and Institute of Applied Manpower Research to the labour ministry. "The idea is that these bodies should be under domain ministries," a source said.

Over 60% of the panels' 1000 employees will be posted in different departments while the remaining will work under the proposed multi-member think tank whose final shape is yet to be decided.

"Some of the remaining domain experts and old hands will work with the new think tank," a senior government functionary said, adding that a Cabinet note for the same has been circulated.

FRONTLINE

[Cover Story](#)

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Unplanning, Modi style



By choosing to dump the Planning Commission rather than strengthen and expand its role to suit the changed environment, Prime Minister Modi has signalled that he does not want even the minimal checks and balances that an organisation like it can exert on his neoliberal adventures. By C.P. CHANDRASEKHAR

When Prime Minister Narendra Modi declared in his Independence Day address that the Planning Commission as a body was to be scrapped, he was possibly sending out multiple messages. One was that he was making a clear break from the economic policy tradition that Jawaharlal Nehru and the Congress under his leadership represented. In fact, he did not even

acknowledge Nehru as one of India's leading nation-builders. The second was that he was committed to a trajectory in which the role of the state would be minimal, in keeping with the slogan "minimum government, maximum governance", and markets and entrepreneurial "animal spirits" would flourish. And, third, that he would not settle for just renovating and reforming old institutions but wanted to build altogether new ones. The third is of significance because what Modi was throwing out of the window was not the Planning Commission that ruled under Nehru but one that had been transformed more than once.

Modi, however, did not make clear the role that he envisaged for the state under his leadership in the economic development effort. Only the naive can believe that the state has no role in the economic sphere under capitalism. In fact, that role can be varied and very different. It can, for example, focus on building the infrastructure that is crucial for capitalist industrialisation but which the private sector may not have the wherewithal or the incentive to build in adequate measure. It can address the inequities and "market" failures that are associated with a growth trajectory driven largely by private decision-making. It can regulate the private sector to reduce the adverse fallout of decision-making that privileges profit above all else, leading to profiteering at the expense of the consumer, labour and the environment. It can support the private sector and channel its energies by coordinating private investment decisions and directing investments to areas that will maximise both growth and profits. It can emphasise incentivising private investment even if that implies engineering transfers from the rest of society to the private sector.

In practice, governments in market economies play a role that involves some combination of objectives such as the above. The difference between governments

is reflected in the combination they choose and which of the objectives within that combination they privilege. Prime Minister Modi's decision to close down the Planning Commission by no means suggests he wants the state to have a minimal role, slogans to that effect notwithstanding. He has centralised considerable economic power in his own office and put pliant Ministers where it matters so that he can control the direction of economic policy. He has also portrayed himself as a leader who will remove obstacles such as land acquisition restrictions and environmental clearances to speed up industrial and infrastructural projects. His effort to whittle down independent representation on the National Board of Wildlife, now under challenge in the Supreme Court, reflects his attitude to institutions that could be impediments to his model of development. In Gujarat, he rewarded industrialists who were willing to join the effort to build brand Gujarat and brand Modi by implementing prestige projects. As a result, industrialists were falling over one another to win his attention and be chosen to partner Modi's brand of "developmentalism". Modi clearly sees large private investments in any form incentivised at any cost as being essential to building that brand.

So when the Prime Minister declares that he intends to replace the Planning Commission with an institution "that caters to the aspirations of 21st century India and strengthens participation of the States", he is thinking of one that will help carry forward his own agenda and oversee the role he thinks the state should play rather than one that debates and recommends a strategy of development. His tweet to the nation inviting "ideas on what shape the new institution to replace the Planning Commission can take", through an open forum on an officially established website, is a disingenuous way of claiming to have crowdsourced his own idea.

A history of change

The only question that arises is why the Prime Minister was not satisfied with reshaping the existing Planning Commission to suit his own purpose, rather than scrapping it and creating a wholly new one. In fact, the role and agenda of the Planning Commission has been through many changes since its inception. The Commission was established in an age when the understanding was that a state-appointed body that combined the vision of politicians with the expertise of economists, statisticians and scientists would define a strategy and steer investment in directions that would maximise the growth of output and employment and distribute reasonably fairly the benefits of that growth. Implicit in that view, inspired by the success of Soviet planning in its early years, was the understanding that the Commission would exercise a powerful influence on the government, and the government, despite the power configurations characterising the real economy, would have an enormous area of control and wide policy space to take the economy in the direction it wanted.

But by the late 1960s, and especially after the agricultural and balance of payments crises of the mid-1960s, it was clear that the targets set by the planners were not being reached and the stated objectives of planning were not being served. The configuration of Indian society and state power was such that the assumptions on what the state would or could do proved wrong. That explained in part the disillusionment with and the discrediting of planning as practised in the immediate post-Independence period. This is not the place to analyse that failure. But it must be said that the failure was only marginally, if at all, the result of the strategy laid out by the Planning Commission during the Second and Third Plans, of what it thought and did during those crucial years. It was more because much of what the Commission of that time wanted done was not actually translated into practice. Nothing illustrates this more than the failure to implement land reforms and break

down land monopoly as a first step to raising agricultural productivity and creating a mass domestic market. The Commission and the political leadership were clear that this was a crucial first step, but the nature and configuration of state power in India was such that this step was not taken in full measure.

With the failure of the original conception of planning and the enforced acceptance of a Plan holiday in India during 1966-69, the country shifted to a revised, scaled-down role for planning and the Planning Commission. Modi's Independence Day declaration was not the first time the shape and substance of India's Planning Commission has been modified, even if not in the current Prime Minister's drastic slash-and-burn style. Central to the changed role was a belief that the area of control of the government was far less than earlier expected. Planning was made more "indicative", suggesting how much the nation should save and invest to realise some targeted rate of growth, how much investment was needed to address crucial infrastructural and sectoral bottlenecks, what were the new opportunities that could be seized, and what needed to be done to address special problems, such as extreme horizontal and vertical inequalities. Less attention was paid to the overall strategy of growth in terms of its pattern and more attention was paid to special projects and schemes with more limited objectives in mind. Central to indicative planning of this kind was the estimation of the resources (financial and real) needed to realise growth targets and a discussion of how those resources could be mobilised. There was no effort to make choices that implied the pursuit of a particular growth trajectory as the Mahalanobis model required.

This dilution took on a qualitatively new dimension when successive governments after 1991 took India down the path of neoliberal reform, putting in place a policy regime that liberalised trade and investment, deregulated production and prices and privileged the private sector and private initiative. With open economic borders

leading to large inflows of volatile financial capital into the country, the sentiments of these investors set bounds on policy, especially fiscal policies determining revenues and expenditures. In this new environment, the state was no longer seen as coordinator and regulator, but more as facilitator. Under this regime the Planning Commission changed its role and mission again without too much fanfare.

There were three new areas of emphasis in the Commission's role. The first was to push infrastructural investments—in power, roads, ports, and communications—without having to place demands on the government's budget. This required finding ways of building viable public-private partnerships, incentivising the flow of private finance into long-term capital investments, and deregulating pricing of infrastructural services so as to render these projects viable. The second was to dilute or do away with the regulation of private players to realise social objectives and substitute that activity with direct public action to ameliorate poverty, generate some employment, ensure a modicum of food security for the poorest and improve a range of human development indicators in the areas of health and education. Finally, the Planning Commission was called up to find ways to get the private sector to work for the poor by delivering credit, devising insurance schemes of various kinds and taking on the task of social services delivery. The Commission joined the effort to design partnerships of the public and private sectors that involved the use (or procurement) of private capabilities to deliver public services for a fee or guaranteed return. A Commission geared to undertaking these tasks was very different from the body set up to centrally coordinate investment decision-making in the 1950s.

A corollary of this transformation was that the Planning Commission was less concerned with prescribing the allocation of the nation's surpluses and more with

finding ways of getting resources available in private financial markets to flow to sectors and projects they previously abjured. Through guarantees, viability gap funding and financial innovations such as securitisation, the private sector was to be incentivised into lending to and investing in new areas. The Planning Commission had begun to play an important even if indirect role in developing such a framework of financing.

Elements of continuity

These changes notwithstanding, reality and history endowed the Commission's role with an element of continuity. Making a case for the Planning Commission even in an increasingly deregulated economy and market-friendly framework, its website speaks of three important roles, among others, that the Commission sees itself as playing. One is that of being the instrument of "indicative planning", concerning "itself with the building of a long-term strategic vision of the future and deciding on priorities of the nation", based on which "it works out sectoral targets", and provides a "promotional stimulus to the economy to grow in the desired direction".

The second is that of playing "a mediatory and facilitating role" in the allocation of Central resources between the States and the Ministries of the Central government, given the resource constraints that a lenient tax regime under liberalisation had generated. While the Finance Commissions were substantially responsible for determining the share of resources that went to the States, the Planning Commission came to have a residuary role, even when flows increasing occurred through Centrally sponsored schemes. Further, in a system the States resented, the Commission was also given a role in overseeing the use of the resources that the States had access to through the devolution of Central taxes and their own resource

mobilisation. Annual negotiations over State Plans provided the means to such monitoring.

Finally, the Commission saw itself as developing a “holistic and integrative approach” to various social sector schemes in areas critical to human development, such as rural health, drinking water, rural energy needs, literacy, and environmental protection. An examination of India’s record in these areas will reveal how much still needs to be done to bring the country on a par with many similarly placed countries, let alone more developed nations.

Among these roles the Planning Commission saw itself as playing, the first remains important in a world in which developing countries seek to accelerate growth by targeting dynamic segments of the global market. Export-based growth cannot be successful only with transnational investments. It is not enough to stand on the ramparts of the Red Fort and call on international firms to come and “make in India”. State bodies with expertise and seeing power greater than that available to individual corporations have been in contexts, like Japan and South Korea, crucial to identifying the dynamic, rapidly growing segments of the global market that can be successfully targeted given the specific advantages of the country concerned. These bodies are also important in devising the incentives and rewards that can encourage domestic private firms to enter these areas, acquire the necessary technology and skills and establish a foothold in global markets. If the Planning Commission was not adequately addressing this task, the solution did not lie in closing it down and sending out the signal that government “interference” in private decision-making was not appropriate. What may have been appropriate was to ensure that the manpower and resources required to serve as a coordinator of investment decisions in a globalised world was available with the Commission.

The usefulness of the second of the roles the Commission ascribes to itself, of monitoring the performance of States and coordinating the development agenda in a large, quasi-federal country, has perhaps been overemphasised. But, while this system needed reforming, it served some purpose given the large inter-State inequalities that needed to be addressed. Given the immense regional diversity in resources, infrastructure and levels of development, the Commission played a role in highlighting the importance of stimulating specific forms of activities and undertaking specific investments in different States so as to encourage convergence—a political necessity to sustain the unity and integrity of a multinational state with many languages and diverse cultures.

Finally, by emphasising the need to provide adequate resources to build the social infrastructure needed to improve India's poor human development record and devise ways of maximising benefits from the resources made available, India's planners served as the conscience-keepers in a market-driven environment that privileges profit and power. It was a source of pressure, however weak in recent times, to hunt for resources and make the allocations needed to address unacceptable deprivation. The Planning Commission's poverty estimates may have been the target of ridicule. But the fact that it regularly monitored poverty incidence as defined by it and tracked other forms of deprivation and progress on the human development front made it an agency that kept a check on the extent of deviation from the desired realisation of the most basic of goals.

The argument here is not that the Commission in recent years had performed adequately, let alone acquitted itself well, in these limited areas of influence it had defined for itself. It is merely to state that the Commission had at least identified for itself a residual role of considerable importance in what was an anti-statist theoretical and policy environment. By choosing to dump the Commission rather

than strengthen and expand this role, Prime Minister Modi has implicitly signalled that he does not want even the minimal checks and balances that an organisation like the Planning Commission can exert.

As mentioned earlier, Narendra Modi's track record in Gujarat does suggest that the role he envisages for the state is that of facilitating accumulation by making large-scale transfers to selected players in the private sector. Some of these players are already large business groups with a Gujarat connection and a willingness to declare allegiance to Modi. Others, like many politicians now in the Bharatiya Janata Party, are creations of Modi and those around him. The most visible among the latter is Gautam Adani, whose rise to corporate stardom reads like a fairy tale.

Evidence published in sources such as *Forbes Asia*, that is otherwise blatantly pro-business, suggests that the largesse of the State government, in the form of large tracts of land handed over for virtually nothing, of being given the responsibility to implement large prestige projects, and of being a beneficiary of a range of concessions offered in lieu, plays a role in such stories of ascendance. That sounds less like planning and more like cronyism. If it is a body that can design such schemes and take them through to commercial production and profits that the Prime Minister wants, a Planning Commission of any kind will not serve. Which is perhaps why a body with that name and tradition had to go.

‘A gesture to the corporate sector’



Ashok Mitra.

Ashok Mitra, eminent economist and former Finance Minister of West Bengal.

THE liquidation of the Planning Commission is a symbolic gesture from Narendra Modi. The gesture is intended for the assimilation by the corporate sector: Ladies and Gentlemen, you were amongst the foremost to uphold and propagate my cause. You wanted me dearly as Prime Minister. One of the first things I am doing is to order the abolition of that abominable Planning Commission, which pretended to interfere in your affairs. You are now free to plunder the country in the manner you like best.

But I would still say that this is only a gesture—a symbolic thing; because the Planning Commission, for all practical purposes, ceased to exist from the mid-1980s upon the assumption of office [of Prime Minister] by Rajiv Gandhi after the assassination of his mother [Indira Gandhi]. People will not perhaps remember, but he, despite being formally the Chairman of the Planning Commission, had described the members of the Commission as a “bunch of clowns”. He did not understand their language, and they did not much appreciate what he wanted to do with the country. Simply put, he wanted the country to turn overnight into one which would have all that is the best in the best of all

possible worlds; the elite will rule and the poor will keep mum; and there would be luxurious living for the governing classes. That was his concept of the nation.

There were some old-timers still left in the Commission who would say such foolish things like “integrated planning”, “coordinated planning”, “higher rates of taxation” etc., etc., whom he wanted to get rid of. The BJP and its leaders’ minds work in the same channel which Rajiv Gandhi rode and which was being followed by the overwhelming majority of the Congress leadership for the past 25 years. So, in a way, the BJP has dared to do what the Rajiv Gandhi and Sonia Gandhi regimes—and I mean Sonia Gandhi regime—were hesitant to do because it would have been a major affront to the dreams that Jawaharlal Nehru had, at an abstract level, set for himself.

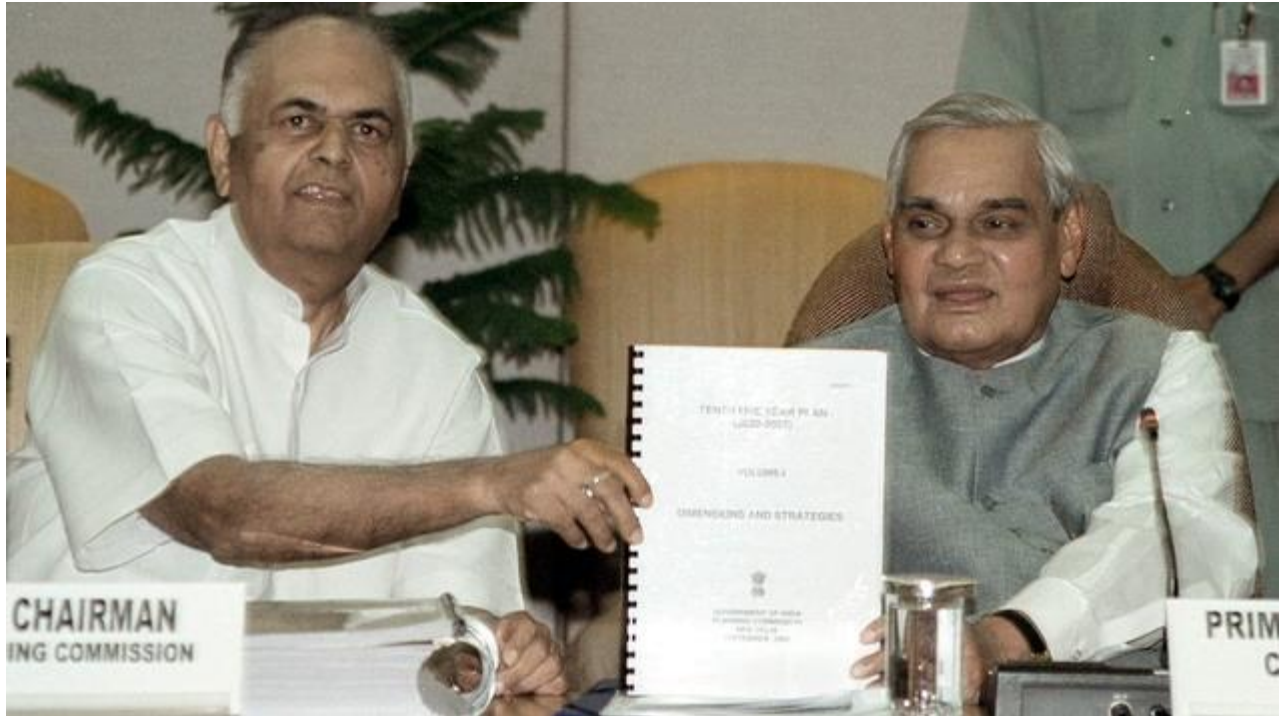
Curiously, or not so curiously, most of the State governments have applauded the decision. The reason for that is obvious. The Planning Commission was presiding over the farce of consultation with the State governments and showering homilies on them. The State Ministers and officers are relieved that the long phase of homilies that they had to absorb is over. The Left-led fronts in West Bengal and Kerala tried to prod the Commission to move in another direction which would be real planning in content, but that period is now past and gone.

As told to Suhrid Sankar Chattopadhyay

Modi's manoeuvres

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Prime Minister A.B. Vajpayee and Deputy Chairman of the Planning Commission K.C. Pant at the unveiling of the Tenth Five-Year Plan (2002-2007) document in New Delhi on October 5, 2002.

The nature of the body that will replace the Planning Commission is wrapped in mystery, and given his style of functioning it is not surprising that Narendra Modi has not taken even senior BJP Ministers into his confidence. by VENKITESH RAMAKRISHNAN

RIGHT from the inaugural week of the Narendra Modi-led National Democratic Alliance (NDA) government in May, a keen discussion on the fate of the Planning Commission was under way within the Bharatiya Janata Party (BJP) which heads the ruling coalition, among the NDA's constituents, and at the level of the government and the Commission. The tone and tenor of the early discussions was more about restructuring or revamping the Commission and did not point towards any plan for its total dismantlement. Two factors were considered to be the basis for the projections in these discussions.

First, there was a case for revamping the institution both organisationally and thematically since the BJP and the NDA had come to power with a big majority. The individuals who held sway over the Commission were by and large considered close to the previous Congress-led United Progressive Alliance (UPA) government. They were expected to be replaced by individuals close to the current dispensation.

The second factor related to the discussions of varied intensity regarding the role of the Commission that had come up in the upper echelons of power over the past several years. They had called for a reorientation of the policy and programme paradigms and the structure of the Commission. All this thinking was not supposed to reach the stage of a total dismantling even though the Independent Evaluation Office (IEO) set up by the UPA had actually suggested the disbanding of the organisation and the creation of a new entity (see story on page 23). Even on the question of restructuring and revamping, there were several shades of opinion at different levels in the BJP and the NDA and among Commission officials themselves.

Planning Commission officials primarily studied the BJP's election manifesto and thought about ways and means of tweaking the perspectives of the 12th Five-Year Plan document so that it tallied with key projections in the manifesto. The early projections within the NDA were that either Murli Manohar Joshi or Arun Shourie would be made the Deputy Chairman of the Commission. This thinking lasted for only about a week, but that did not deter the different camps in the BJP from advancing their own pet theories on the matter.

According to party insiders and sources in the larger Rashtriya Swayamsewak Sangh (RSS)-led Sangh Parivar, the positions taken by the votaries of Joshi and Shourie were markedly different. Discussions within the Joshi camp revolved around a restructuring on the lines advanced by the BJP in 1998, when Jaswant Singh was the Deputy Chairman of the Commission. This plan envisaged enhancing the role of the Commission by expanding its decision-making authority to cover more areas.

Shourie, apparently, did not see much merit in persisting with the current paradigm even when he was being considered for the post of Deputy Chairman. He reportedly wanted the Commission to be converted into a Reforms Commission, with a different set of plans, programmes and paradigms, structured more like an advisory body that would go into questions relating to economic reforms on the basis of international and national best practices and through participatory public discourse.

The 1998 Jaswant Singh model was ambitious in that it sought to bring even non-Plan expenditure under the jurisdiction of the Planning Commission. The stated idea was that the Planning Commission should have the authority to rationalise non-Plan expenditure, taking the overhead away from the Ministry of Finance. It also sought to assign to the Commission policy-making roles in international trade issues with the World Trade Organisation (WTO) and enlist international think tanks and research agencies to help the Commission in specific projects and programmes. That plan never took off in the face of stiff resistance from BJP Ministers and leaders of other NDA constituents. By all indications, policy experts considered close to Joshi and who perhaps thought they would have a chance to join the Commission as members if he was appointed its Deputy Chairman were of the view that the 1998 formula could be advanced with some minor changes. While it is not clear at the time of writing what the alternative body would look like, there is a stream of opinion that it could resemble or reflect Shourie's reported idea of a Reforms Commission in many respects. There is also the IEO report, but indications are that the new dispensation will not adopt it totally. BJP and Sangh Parivar insiders aver that Modi himself is highly impressed with the National Development and Reform Commission of China and in all probability will want to replicate it in India.

Given the style of functioning of the Modi government, nobody in the BJP or the Sangh Parivar knows what will be the exact shape of the institution that will replace the Planning Commission. "All that one can say is that the final picture is in the mind of the Prime Minister and some of his close political and non-political associates. He will

unfold its contours as and when he deems fit. Perhaps, he may share it with Amit Shah or Arun Jaitley,” a senior BJP leader told *Frontline* in New Delhi. He added that the general expectation was that Modi’s important announcement on Independence Day would be granting full statehood to Delhi. “Nobody expected him to announce the dismantling of the Commission.” Interestingly, after Modi’s August 15 announcement, votaries of the Jaswant Singh model or its modified versions have gone silent.

Commenting on the developments, Prabhat Shukla, former Indian Foreign Service officer and a distinguished fellow at the Vivekananda International Foundation (VIF), said that two factors needed to be considered while analysing the proposal in historical, political and practical terms. According to the Government Resolution of 1950, the Commission was set up against the backdrop of war, Partition, and the need to integrate the Indian States. All of this has passed into history. The objectives laid down in that Resolution—of reducing poverty and making efficient use of resources —have not been met. “As the Prime Minister explained in his Independence Day speech, the options were to tinker with the existing structure or to replace it, and he wisely chose the latter.”

Shukla emphasised that these views were expressed entirely in his individual capacity. (This assertion, in all probability, is on account of the growing impression that the VIF and its key members are playing an important role in several decisions made by the Modi government. Academics and other professionals associated with the VIF have reiterated in recent times that the institution has no connection with the RSS or the BJP.)

Shukla further pointed out that the need for a fresh look at the Commission was under review since the early 1990s, when the country moved towards a more market-oriented economy. The developments in both the BJP and the Congress and even in the Commission over the past decade and a half validate this argument. The BJP’s 1998 manifesto had expressly stated that “the Planning Commission will be reformed and reorganised in the light of the changing developmental needs of our country”. It was as a follow-up of this statement that the Jaswant Singh plan had come up. When the NDA

came back to power in 1999 and ruled for five years, the Commission was led by K.C. Pant, who had joined the saffron party from the Congress. He, too, advanced some ideas suggesting changing the character of the body. He stated in a Commission speech that “the moot question is whether the Indian state has not overstretched itself” and commissioned private consulting agencies to suggest how the Commission’s role could be revised. During the UPA’s stint in power from 2004 to 2009, Arun Maira, member of the Commission and a long-standing member of the national council of the Confederation of Indian Industry (CII), pursued the concept of a Systems Reform Commission to replace the planning body. The establishment of the IEO was an offshoot of this pursuit. In Shukla’s view, Modi will not follow any of the plans advanced since 1998. “In my opinion, the new structure will be something altogether different. And I hope it will focus on select issues that require either closer coordination among different Ministries and agencies, or where something entirely new is to be built. I have in mind the proposal on the Mumbai International Financial Centre, which has been languishing for the past several years. All good administrators usually have a clear idea of what they want, and they also look to the best practices around the world before adapting them to their own conditions and needs. I am confident this government will do the same,” he said.

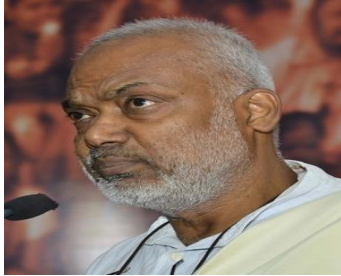
Notwithstanding the hopes of experts like Shukla, there are views even within the Sangh Parivar that decisions, including the one regarding the Planning Commission, are taken without proper consultation or through a process characterised by a lack of internal democracy. According to the BJP leader from New Delhi, there seems to be a huge dependence on a select group of non-political players in the dealings of the Prime Minister’s Office (PMO) and this has led to a secretive kind of functioning. “Even seasoned politicians such as Sushma Swaraj are being sidelined and are not part of the consultative process. The most important question is whether the government can go ahead by virtually nullifying the experience of senior leaders or systems such as the Planning Commission,” the leader wondered, hastening to add that in the present context, these questions would be raised only in hushed whispers.

D.P. Tripathi, Nationalist Congress Party (NCP) member of the Rajya Sabha, said Modi's style of governance was extremely personalised. "The way things are moving, it seems that this Ministry will even outdo a presidential form of government. No Ministers, including the seniors, have the freedom of action or the freedom of expression. Naturally, this militates against the concept of democratic governance," he told *Frontline*. Opposition parties ranging from the Congress to the Janata Dals and the Left parties have also criticised the manner in which the Planning Commission's dismantling has been pursued. However, given the Congress' own track record on such issues, there are muted voices within the party, including among senior leaders, suggesting that Modi's move may not be entirely out of place. However, even this section questions the way the decision has been taken forward without wider consultation.

While political discussions on Modi's move continue in different forms, officials at the Commission wonder as to what their professional fate will be. Will they continue to be listed for work in the proposed institution? Or will their association with the Planning Commission be held against them? Or will there be an administrative process to draft them into other government departments? Perhaps, the political debate on the Commission should address these issues as well before the new body assumes a concrete shape.

Expert Opinion

‘We are vigilant on the concerns of the marginalised’



Sanjay Paswan.

Sanjay Paswan, national president, Scheduled Caste Morcha, Bharatiya Janata Party.

I DISMISS all apprehensions regarding the wrapping up of the Planning Commission. If we look at the larger scenario, we will all agree that the functioning of the Commission has been conventional, even if not irrelevant. As an institution, it is not adept in handling the economic challenges of present times. But we are closely monitoring the shape that the new institution that replaces the Commission will take.

We will ensure that the mandate the Commission had with regard to vulnerable groups such as Muslims, Dalits and Adivasis are retained with new mechanisms to address the concerns of these people. We will keep in mind that the three important concerns of marginalised communities—security, dignity and prosperity—are addressed by the new institution through skill enhancement and other programmes of economic empowerment.

The criticism of the decision broadly comes from socialist/communist groups.

But right now, we have no reason to doubt the intentions of the Prime Minister even if one may not support the government. The Prime Minister proved this by rejecting the WTO regulations to reduce subsidies. The Prime Minister is clear on fronts that affect the poor directly. I see no reason to worry. Let me assure you that we in the BJP’s Scheduled Caste Morcha are vigilant and we will not let down our own people.

As told to Ajoy Ashirwad Mahaprashasta

‘A welcome move’

K.K. Upadhyay, the head of corporate social responsibility in the Federation of Indian Chambers of Commerce and Industry (FICCI).

THE Narendra Modi-led NDA government’s decision to do away with the Planning Commission is a welcome move. This is a decision that was long overdue. It is a step in the right direction. This institution was not able to meet its mandate of greater devolution of power to the States. Besides, the need of the hour for the economy is large inflows of money from abroad, large FDI inflows.

Expectations from the new body

This is a little difficult to answer at this point of time. The contours of the new institution are not clear yet. However, one can expect that this institution will ensure better targeting of the social and developmental programmes of the government. A number of welfare schemes of the government do not reach the intended beneficiaries. In fact, certain corporate social responsibility (CSR) schemes work better in terms of delivery and social impact. It can be hoped that the new institution will address these issues.

How can corporates partner with the new institution?

A number of corporates have shown keen interest in participating in the development agenda of the government. For instance, a number of institutions have shown interest in participating in the “Swachh Bharat” campaign of the NDA government. In his Independence Day speech, the Prime Minister expressed the commitment of his government to achieve Swachh Bharat by 2019 by eliminating the practice of open defecation. A number of companies have already announced their plans to be a part of this campaign.

Tata Consultancy Services has announced a scheme of Rs.100 crore for building toilets in schools as part of its CSR initiatives. Bharti Airtel has also launched a similar project with an investment of Rs.100 crore. The Aditya Birla group has promised to construct 10,000 sanitation facilities. Corporates would be interested in partnering with the new institution in areas such as sanitation, drinking water and housing. *As told to Sagnik Dutta*

‘Displacement of Adivasis will increase’



Manish Kunjam.

Manish Kunjam, tribal leader (Communist Party of India), Bastar, Chhattisgarh.

I HAVE great apprehensions about the government’s decision to scrap the Planning Commission. Despite its limitations, the Planning Commission has always made a lot of effort to conduct periodic surveys about the concerns of Dalits and Adivasis. These surveys provided the government with a context for policy formulations for these vulnerable groups. The Panchayat (Extension to Scheduled Areas) Act, or PESA, and the Forest Rights Act are results of this consultative process.

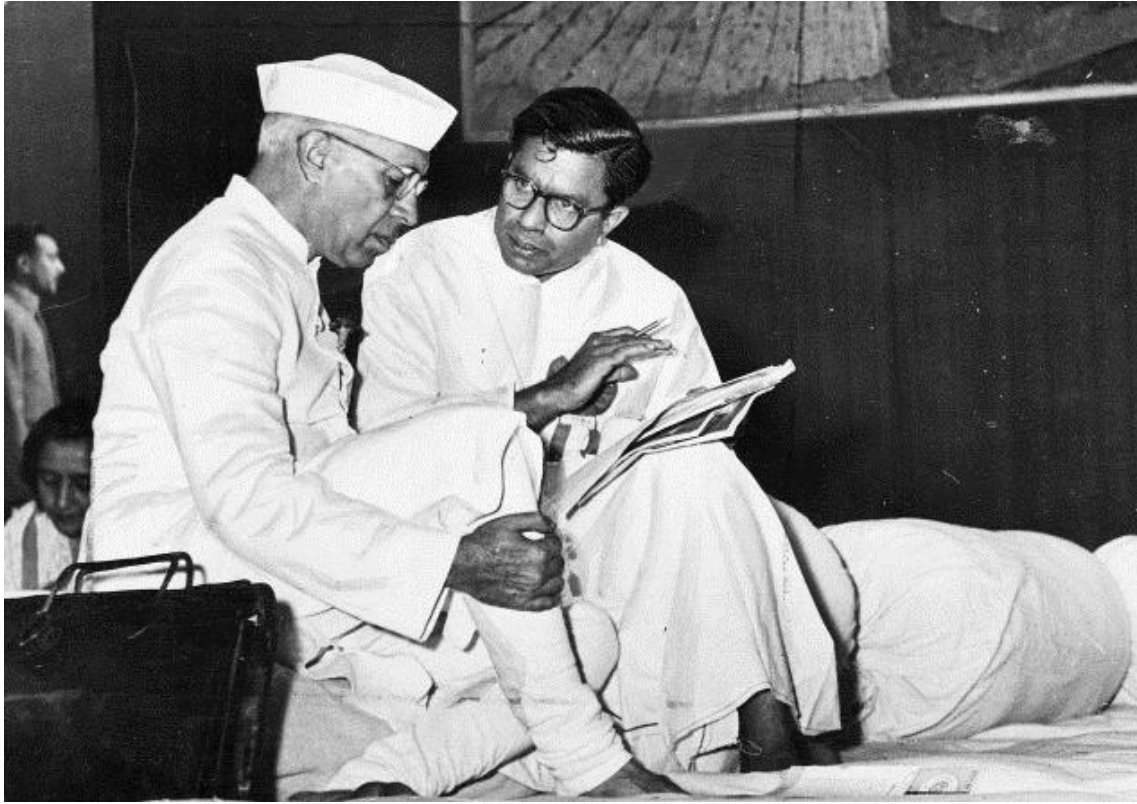
But the way this government has taken such a radical step to scrap the Planning Commission without taking the stakeholders into confidence is suspicious. I have a feeling that this decision is an indirect way to open the floodgates for big corporates to come and plunder our natural resources and forests. Both the government and the mining giants have been working towards this goal for a long time.

It is only because of some legislation guaranteeing some immunity that prevented this exploitation to some extent. The condition of Adivasis in forest areas is already abysmal because of this, but now I guess we will be forced to forfeit whatever little preventive mechanism we have.

Displacement of Adivasis will only increase because of such decisions. I am really worried at present.

As told to Ajoy Ashirwad Mahaprashasta

Limited success



The Planning Commission, which has addressed socio-economic deprivation fairly well, has not succeeded fully in ensuring the implementation of the Five-Year Plans. But then it never had the power to take uncooperative governments to task. By AJOY ASHIRWAD MAHAPRASHASTA

THAT since the 1990s India had moved away from welfarism to embrace free-market capitalism was evident from the action of its highest institution of social and economic planning, the Planning Commission. Contrary to the purpose for which it was instituted, the Commission, and its experts, instead of guiding the Union government in socio-economic matters and devising sustainable long-term plans, ended up reiterating the government's advocacy of liberalisation, privatisation and globalisation (LPG). As a consequence, the institution suffered a loss of credibility as an independent intellectual body. Hence, when Prime Minister Narendra Modi announced on August 15 that the

government planned to wrap up the Planning Commission and replace it with a new institution, it sounded like the most logical step, something that was waiting to happen.

The National Democratic Alliance (NDA) government sees, as did a dominant section in the previous United Progressive Alliance (UPA) government, the Commission as a redundant body incapable of original thinking. This opinion gained ground as most infrastructure development in the past two decades came from private investment.

Many political parties and civil society groups view the government's decision to wind up the body as a blatant espousal of free-market capitalism in which the Indian state is setting aside the last vestige of welfarism. Many economists feel the government is closing the last channel between the people and the state through which socio-economic injustices and deprivation could be addressed.

This argument is justified by the fact that despite several limitations, the Planning Commission has remained the only body that has consistently recommended, through the Five-Year Plans, increased public expenditure to address socio-economic inequalities and supported welfare programmes such as the National Rural Health Mission (NRHM), the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and the Right to Education. It is all the more laudable that its recommendations came at a time when the economic climate in the country was overwhelmingly neoliberal, which favours zero public expenditure. The fear that socio-economic problems will not find a vocal supporter in the new dispensation was validated by a note presented to the Union Cabinet by Planning Secretary Sindhushree Khullar. Giving an outline of the identity, structure and role of the institution that would replace the Planning Commission, the note, prepared on the basis of a directive from the Prime Minister's Office, limited the functions of the body to areas such as infrastructure, mining, public-private partnership projects and targeted implementation of the government's flagship schemes. It does, however, mention that the new institution will have managerial experts from the social sector to implement the government's flagship schemes in an effective manner.

This is a significant departure from the functions of the Planning Commission as envisaged in the Nehruvian era. The hallowed institution was also responsible for devising strategies to bridge income inequalities and address the problems of socially vulnerable groups such as Dalits, Adivasis, women and the disabled. With the closure of the Planning Commission, much of the responsibility of addressing social and economic deprivation will rest on the respective Ministries.

A significant section of the intellectual class has been highlighting the merits of Five-Year Plans, which have been dismissed by the NDA government as Soviet-era hangover. It is, therefore, imperative to understand how the Plans sought to address the concerns of the majority of the Indian population.

The First Five-Year Plan allocated 16.64 per cent of the total Plan outlay for social services. In what was then considered the government's priority, 5 per cent of the Plan outlay was allocated to land reforms. Along with this, the Plan resolved to strengthen higher education to complement economic growth by setting up the University Grants Commission (UGC) and five Indian Institutes of Technology (IITs).

The Second Plan, mostly known as the Mahalanobis Model, focussed on large industries but set aside a significant amount, Rs.4,800 crore, for the social sector. On the recommendations of the Third Plan, the Green Revolution was launched, which transformed the agrarian scene in many parts of India. The Plan sought to strengthen panchayati raj institutions through democratic decentralisation. Panchayat elections were started to democratise rural areas. Another important development during this Plan was the establishment of primary and higher secondary schools in many areas.

The Fourth Plan, in what is still seen as the most radical step to bridge income inequalities, recommended the nationalisation of banks. The four Five-Year Plans gave primacy to empowerment of the people through education. Most of the state-sponsored education structures visible today are the creation of the Plan programmes.

20-Point Programme

Praveen Jha, an economist at the New-Delhi-based Jawaharlal Nehru University (JNU), said: “By all accounts, the first four Plans provoked intense debates and considerable discussion—within academic, political and executive organs and also the public—on themes relating to India’s strategy of socio-economic transformation as well as on details of its economic policy.” The Fifth Plan (1974-79) was a period of high political turmoil as the government at the Centre imposed the Emergency. However, in order to retain political legitimacy, the Fifth Plan laid stress on income inequalities, which was made more visible by Prime Minister Indira Gandhi’s 20-Point Programme. “The Fifth Plan was transformative in nature, at least in the realm of ideas. It focussed primarily on employment generation, poverty and social justice,” said Paul Divakar of the Dalit Arthik Adhikar Andolan. It was during this Plan period that the Planning Commission recommended greater participation of the marginalised communities in the economic development of the country.

As part of this vision, two transformative plans—the special component plan (SCP) and the tribal sub-plan (TSP)—were implemented. The SCP requires the Centre and the State governments to allocate budget funds for Dalits in proportion to their number in the population so as to enhance the flow of development benefits to them. Similarly, the TSP mandates the governments to earmark for the Scheduled Tribes (S.Ts) 8.2 per cent of the total Plan outlay. It was from the Seventh Plan onwards that the focus of the government shifted to the model of private investment for economic growth.

This shift was concretised during the Eighth Plan when P.V. Narasimha Rao was the Prime Minister and the Chairman of the Planning Commission. This was also the time when India adopted economic reforms. In all subsequent plans, until 2002, the state’s concern for the socially and economically deprived population took a back seat. The Planning Commission relied mostly on non-governmental organisations (NGOs) and other private entities to reform the task of socio-economic empowerment. The concerns

of these marginalised groups were articulated in Plan reports only superficially. However, the Eleventh Plan (2007-2012), despite adopting the neoliberal path, devoted a significant section to the social sector.

The institution, for the first time, introduced the term “inclusive growth”, a term that has gained wide usage. Blatant liberalisation and privatisation for more than a decade did not yield the kind of results the government had promised the people. Income inequalities widened and social injustices grew leading to widespread protests. People were not ready to buy the “trickle down” theory (that tax breaks or other economic benefits to the rich will trickle down to the poor) of neoliberalism. The Planning Commission was the only body to acknowledge this effect of economic reforms, though only in a cursory way. The Eleventh Plan was reflective of this sentiment, despite being overtly driven by LPG policies.

“India’s Eleventh [2007-2011/12] and Twelfth Five-Year Plans [2012/13-2017/18] have emerged as being distinct from the earlier Five-Year Plans insofar as these Plans had the goal of inclusiveness at the core of the growth strategy. The main features of the inclusive growth approach under the XI and XII Plans are the following: First, while faster growth is the main goal, the growth of GDP is not treated as an end in itself, but only as a means to an end. Therefore, it focusses on outcomes of increased income, and to realise the desired outcomes, it identifies a particular ‘type of growth process’ rather than emphasising on growth alone for inclusive outcomes. Second, the Plans recognise that the end outcome of growth is reduction in poverty and creation of employment opportunities, improving access to essential services in health, skill and education and other amenities. The third feature is the group focus, which means that pro-poorness would essentially involve outcomes that yield broad-based benefits and ensure equality of opportunity for all, especially the poor, and the poorest among them like the Scheduled Castes [S.Cs], Scheduled Tribes [S.Ts], other backward castes, minorities and women,” economists

Sukhdeo Thorat and Amaresh Dubey write in a paper that reviews of the Eleventh and Twelfth Plans.

Despite having a fair record in addressing socio-economic deprivation, the Planning Commission performed poorly in ensuring the implementation of the Five-Year Plans. This was mainly for two reasons. First, it remained a toothless organisation without any power to hold the government accountable.

“There is a huge gap between what is visualised in the Plan and its actual implementation. And that is reflected in the difference between Budget Expenditure and Revised Expenditure every year. Every year, Revenue Expenditure is much lower than Budget Expenditure. The Planning Commission could not check this huge anomaly. It did not bother to institute a committee to check the excesses of the Union Finance Ministry. For instance, under-allocation of funds to SCP/TSP has almost become a norm with all governments. But the Planning Commission does not have the power to hold the Ministries accountable,” said Divakar.

Secondly, the thrust of planning in India has always been driven by economic growth. “Undoubtedly, in a country like India, Central planning is needed. But throughout the Planning Commission’s tenure, the idea of planning at the macro-level was flawed. Economic planning was given undue advantage over social sector planning, which is equally important. However, one can say that the Commission did make some effort in social sector planning in the recent Plans by advocating gender budgeting, the NRHM and the MGNREGS, among other programmes. One of the few important ideas that it articulated was doing away with the inhuman practice of manual scavenging,” Amitabh Behar, executive director of the National Foundation of India, said.

The Planning Commission and its role have elicited mixed responses. In this debate, however, it cannot be denied that the Commission’s decline as an institution for planning is directly linked to the successive Union government’s shift towards neoliberalism. In

the past two decades, when private think tanks were demanding a curb on public expenditure by the Indian state, the Planning Commission, at least on paper, tried to find a balance.

Subrat Das, Executive Director of Centre for Budget and Governance Accountability (CBGA), said: “I think the Planning Commission remains the only institution to think of policy within the realm of public expenditure. Firstly, it addressed the concerns of minorities through plans such as women’s component plan, which progressed to become gender budgeting. It also mooted the idea of a 15-point programme for minorities. Secondly, through various committees, it did try to push the government to implement social schemes.

For instance, the Narendra Jadhav Committee was instituted to implement the SCP/TSP, but the government showed no interest. Thirdly, it instituted many committees for substantive restricting of Centrally sponsored schemes. The B.K. Chaturvedi Committee recommended that 20 per cent of the total Plan outlay be given to the States. But the Ministries agreed to only 10 per cent. I agree that the Planning Commission does not have an unblemished record, but uncooperative Central governments have had a bigger hand in the institution’s failures.”

‘What was required was a course correction’



Rajagopal P.V.

Rajagopal P.V., president, Ekta Parishad.

This is like throwing out the baby with the bathwater. The Ekta Parishad has been critical of the manner in which the Planning Commission has been addressing core issues of the underprivileged in this country, especially in its functioning, over the past two decades. On key issues like land reforms and empowerment of Dalits, the Planning Commission has failed to fulfil its original commitments. In fact, commenting on the 12th Five-Year Plan document, the Ekta Parishad had pointed out that the Commission’s negative policy orientation was evident from the use of key words and their frequency in the document, which was as follows: Dignity 0, hunger 0, equality 0, human rights 0, Dalits/Scheduled Caste 2, tribal/Adivasi 8, farmers 38, PPP (public-private partnership) 45, market 67, growth 279.

Now, what was required was a course correction of this deviation and a reassertion of the original tenets of the planning process and the role of the Planning Commission, which emphasised essential initiatives like land reforms and empowerment of the underprivileged. But the present move does not point towards any such course correction. In fact, the approach of the Narendra Modi government has been confirmed as one that would continue to pursue economic growth by strengthening market economy, and the present move, by all indications, will add greater momentum to this process. I would request the government to reconsider this ill-planned move.

As told to Venkitesh Ramakrishnan

‘Talk about alternative does not inspire confidence’



Yogendra Yadav.

Yogendra Yadav, leader, Aam Aadmi Party.

I do not think there will be any nostalgia over the Planning Commission as it has functioned now, since it was a source of red tape. The institution was not known for coming up with innovative and creative programmes. Even the programmes it conceived and rolled out materialised only in three to four years' time. So, if someone had said that the Planning Commission was in need of a complete overhaul, I would have given it a sympathetic hearing.

However, what is being pushed forward now is not that kind of a creative overhauling. The manner in which Prime Minister Narendra Modi advanced the idea of dismantling the Planning Commission has given enough indication of what is in store. He spoke about the public-private partnership (PPP) model at length while suggesting the change, but two important words that were conspicuous by their absence were equity and social justice. The talk about an alternative institution does not inspire confidence in the context of the direction and policies that we have seen so far from the government. It does not inspire confidence that the alternative will be more efficient, innovative and trustworthy, or will protect the interests of those voices which are not heard in the developmental framework. More importantly, the direction and the day-to-day functioning of the government, especially that of the Prime Minister's Office (PMO), do signal the escalation of initiatives to dismantle whatever remained of equity and social justice because of state intervention in the economy. For all its well-known ills, the Planning Commission did

function as a filter, where state intervention and expenditure were examined for coherence or some relationship between financial inputs and expected outputs, and to address the concerns of poor and marginal communities. Doing away with the Planning Commission could mean removing this filter from the system and opening the doors to unregulated, uncoordinated and untargeted expenditure. Such a pattern tends to work to the advantage of the already well-entrenched. The capitalist class in India believes that the economy could do away with state regulation. This mindset could well be at work in this move too.

As told to Venkitesh Ramakrishnan

A mixed bag



Former Deputy Chairman of the Planning Commission Montek Singh Ahluwalia addressing a meeting on "Regional Consultations on 12th Plan" in Guwahati in July 2011, attended by Chief Ministers and Chief Secretaries of all the eight north-eastern States.

The Planning Commission's policies and functioning have resulted in centralisation of power and it has been only partially successful in removing regional imbalances in economic development. By SAGNIK DUTTA

In 2007, the economist R. Chelliah, in an article titled "Strategy for Poverty Reduction and Narrowing Regional Disparities", wrote that the Planning Commission should take up the role of developing backward States through increased public investment and policy initiatives instead of doling out funds for small and inconsequential projects across all States. The article was written when the 11th Five-Year Plan period was just beginning. The issue of widening disparities in economic growth across States was a focal point of discussions around planning in policy circles then. In another article titled "Role of Planning and the Planning Commission in the New Indian Economy: Case for a Review", published in the same year, Amaresh Bagchi noted that the ratio of per capita gross State domestic product (GSDP) of the highest to the lowest income States had

increased from 2.5 at the time of Independence to nearly five. He observed that the “objective of planned growth had eluded the planners”.

Though the issue of unequal economic growth was discussed and debated at the time of formulating the 11th Five-Year Plan, the disparities among the States continued to increase.

The steady increase in Budget support for the Plan expenditure of the Central government Ministries since the Eighth Five-Year Plan only led to a further concentration of power at the Centre and did not contribute in any substantial way to removing the disparities among the States. This was on account of the practice of releasing funds under Centrally sponsored schemes directly to autonomous institutions at the district level, bypassing the State governments. This did not allow State governments to decide their priorities for development. Successive Central governments, including United Progressive Alliance (UPA) governments, have utilised Centrally sponsored schemes to gain political mileage while the autonomy and specific developmental concerns of the States were ignored. The Planning Commission, as an institution responsible for devising allocations for the States, has been criticised time and again for not being able to make the Centrally sponsored schemes respond effectively to the needs of the States.

Also, the mechanism of granting higher Plan assistance to special category States, though well-intentioned, has not worked as intended in the past decade, with the Central Plan funds allocated for special category States remaining constant.

The decision of the Narendra Modi-led National Democratic Alliance (NDA) government to replace the Planning Commission with a new institution has evoked mixed responses from critics and commentators. While one cannot deny the significant role the Planning Commission as an institution has played in addressing regional imbalances, this is also a time to scrutinise whether it has fulfilled its mandate. It is significant to note in this context that a re-evaluation of the role of the Planning Commission was happening within

the Commission itself, culminating in a set of recommendations prepared in January this year. These recommendations focussed, among other things, on faster and inclusive development of all States.

It is learnt from members of the Planning Commission that the set of recommendations they made were accepted by Manmohan Singh when he was the Prime Minister but were not implemented. Yet, in his final meeting with the members of the Planning Commission, the Prime Minister raised the issue of the relevance of the institution once again.

Speaking to *Frontline*, former Planning Commission member Arun Maira said: “It is not merely the ‘fair’ distribution of money amongst the States that will enable the less-developed ones to catch up. It will happen much more, and in a sustainable manner too, through the architectures of policies. I think the role of the Planning Commission, or any new body in its place, in the allocation of money to the States is being overemphasised. What is required in this body is the ability to shape strategies and to architect policies that will enable faster and more inclusive development in all States.”

Special Category States

At present, there are 11 special category States in India. This includes all the eight States of the north-east, Himachal Pradesh, Jammu and Kashmir, and Uttarakhand. Special category States were determined by the Planning Commission on the basis of a range of criteria, including low population density, hilly terrain, lack of infrastructure, and considerable tribal populations. The idea of creating special category States was aimed at providing enabling circumstances for these States to grow, through the transfer of Central funds. The benefits to special category States are determined on the basis of the Gadgil-Mukherjee formula, under which 30 per cent of the total Central assistance for State plans is distributed to special category States, after putting aside funds for externally aided schemes, special area programmes and the North Eastern Council.

However, the transfer of funds through this route has remained stagnant. In a paper titled “Special Category Status: Will It Actually Benefit Bihar?” Govind Bhattacharjee notes that though the number of special category States increased from three to 11 between 1969 and 2013, the outlay of 30 per cent of Central Plan funds has remained unchanged. As a result, there has been a decline in the share of individual States within the category.

A panel set up last year under former Chief Economic Adviser and present RBI Governor Raghuram Rajan proposed a multidimensional index (MDI) for allocation of funds to States, based on indicators, including per capita consumption, education, health, household amenities, poverty rate and connectivity. This report classified Bihar and Odisha as the least “developed States”.

The Planning Commission focussed on boosting tourism infrastructure and small enterprises in the north-east. In June 2012, a report of the working group of the Planning Commission on the improvement and development of transport infrastructure in the north-east highlighted the need to improve roads, construct new railway lines, bring in private-public partnerships (PPPs) for developing a viable civil aviation network across the sector, and proper use of inland water transport. During the 10th Plan period, the north-eastern region received a total of Rs.80,943 crore of Plan funds. This increased to about Rs.1.2 lakh crore during the 11th Plan period.

In more recent times, the Planning Commission also had specific plans focussing on the development of the north-east. Maira said: “One of the proposals was to encourage cluster development for tourism which would provide employment for locals and facilities for both local and international tourists. This would include enhancing local tourism infrastructure and not just developing five-star hotels. The approach was to develop through coordinated efforts of Central Ministries and local stakeholders.”

In recent times, some States have demanded special category status, making it a politically sensitive issue. On June 21, Bihar Chief Minister Jitan Ram Manjhi met Prime

Minister Narendra Modi and demanded special category status for Bihar, saying it would stimulate growth in the underdeveloped State. Former Bihar Chief Minister Nitish Kumar had also persistently made a similar demand.

In the recommendations about reforming the Planning Commission, finalised earlier this year, there was an emphasis on rethinking strategies of urbanisation and manufacturing to address regional imbalances. Maira said, “New strategies for urbanisation will ensure greater parity between growth and development of the States. For instance, there was a suggestion to alter the architecture of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) of the UPA government, to address more equitable distribution of funds between larger cities and small towns. Under the JNNURM, the focus was on larger cities. Cities that were already large were getting assistance, whereas smaller cities were left out. This was sought to be remedied through assistance to about 5,000 small towns across States, which would be eligible for assistance under JNNURM, contingent on their meeting some basic criteria of local governance such as water, sanitation and public transport. The local stakeholders would be involved in this plan. This proposal was initially mooted two years ago. The States would have the freedom to decide which towns would be eligible for grants. It was not implemented by the UPA government because it reduced the power of the Centre to call the shots.”

Speaking about some of the changes that the Planning Commission had suggested in the manufacturing sector, Maira said: “The policy of creating large national manufacturing investment zones in corridors where transport is available leaves out States such as Odisha and those in the north-east and further aggravates regional imbalances. Jobs need to grow all over the country, as people need jobs where they live. The small and medium enterprises are the engines of job growth as they create more jobs per unit of investment. Therefore, the principal thrust of the manufacturing policy must be to stimulate the growth of small enterprises in all the States as well as to enable business-friendly regulatory environment, availability of credit, etc. At present, there is no incentive for

small enterprises to grow big as subsidies are allocated only if you remain small. An alternative architecture would include providing subsidies for a period of time, say three to five years, contingent on the ability of the small industry to grow. The emphasis on large national manufacturing zones is premised on the trickle-down theory, which assumes that when the already affluent regions grow, it will have a positive impact on the growth of more backward regions. However, there will be a timeline during which regional disparities will increase.”

Some economists have also highlighted the risk of regional imbalances increasing if a body similar to the Planning Commission does not address this issue. Subrat Das of the Centre for Budget Governance and Accountability said: “The Planning Commission provided an institutional framework which had counterparts at the State and district levels. For greater devolution of power to the States, the capacity of State- and district-level planning boards needs to be strengthened. In the absence of the Planning Commission, the future of these bodies is not clear.”

Das also pointed to the need for re-activating the role of the Inter-State Council to address regional disparities. He said, “In the absence of a strong Inter-State Council, the Central Ministries will have an absolute say in channelling resources.”

Centrally sponsored schemes

The large-scale transfer of funds through Centrally sponsored schemes directly to institutions at the district level has meant that the role of the State governments in effectively utilising these funds is curtailed. This has led to further centralisation of power and a weakening of the federal architecture. The Planning Commission has been criticised for not being able to address regional imbalances and over the issue of avoiding greater devolution of powers to the States in the way in which allocations were made for Centrally sponsored schemes. Subrat Das said: “The Planning Commission has been drawing a lot of criticism for imposing uniform norms and guidelines through Centrally

sponsored schemes, which is a major drawback of the public provisioning architecture. Even in the present Union Budget, only 10 per cent of the total funds allocated for Centrally sponsored schemes are given as flexible funds to the States. The rest of the funds are still under the control of the Central Ministries.”

In 2011, a committee headed by Planning Commission member B.K. Chaturvedi recommended a reduction in the number of Centrally sponsored schemes from 147 to 59. He also proposed giving greater flexibility to the States in the utilisation of funds and implementation of schemes so that the States could modify schemes to suit their specific needs. In the absence of a policy direction from the Planning Commission, the Centrally sponsored schemes will be continued to be used as instruments to gain political mileage by the Centre at the cost of fiscal decentralisation.

In the post-liberalisation era, when the benefits of liberalisation and rapid industrialisation have accrued mostly to the already affluent States, an institution like the Planning Commission has significant relevance to provide enabling conditions to the States that have been left behind. The Planning Commission’s well-intentioned interventions to help out special category States through the allocation of funds have only had limited success in removing regional imbalances. This is not to suggest that the institution has lost its relevance in policy-making.

However, there has been a need for reform of the institution to meet current challenges of unequal growth and to devise new strategies to spur development and economic activity in backward areas. In the absence of the Planning Commission, the major challenges facing the new body which is set to replace it will be to boost State-level planning, ensure fair distribution of resources amongst the States, enhance job creation across the States and promote infrastructure development and urbanisation in small towns. It remains to be seen if the proposed new body, the composition and functions of which are still being worked out, will be able to meet the institutional mandate of the Planning Commission.

Key mediator



R. Srinivasan.

R. Srinivasan, Associate Professor in Econometrics, University of Madras and former Member, Planning Commission, Tamil Nadu.

THE decision to replace the Planning Commission with a “think tank” has important ramifications for Centre-State relations. The States have consistently described the Planning Commission as a centralising institution and the planning process as a top-down approach. Of late, Union Ministers have also started describing the interventions of the Planning Commission as unwarranted. Kamal Nath, Road Transport Minister in the United Progressive Alliance II government, once described the Planning Commission as “armchair adviser”. This political environment facilitated the sudden closure of the Planning Commission by the new government.

Centre-State Financial Transfers

The sudden closure of this institution can change the course of financial transfers to the States. Are we doing away with planning as an economic institution? If so, we may not have the famous bifurcation of expenditures as Plan and non-Plan in our Budgets. Will the individual Ministries continue to plan without a Planning Commission? If so, then the nomenclatures Plan and non-Plan expenditures will continue. In such a situation, the new think tank could act as a guiding post to suggest directive principles that could coordinate the plans of different Ministries. Of course, the success of coordination will depend on the willingness to accept the directive principles as non-intrusive.

The 14th Finance Commission has been constituted; it is expected to submit its recommendations by the end of October, for five years starting from 2015-16. Since the Third Finance Commission, the Union government has directed it to recommend grants to cover the estimated non-Plan revenue deficit in the State budgets, as the Planning Commission was expected to finance the Plan expenditures of the States. When we remove the Plan and non-Plan classification of expenditures, then the Finance Commission should recommend grants to fill the estimated revenue deficit in State budgets for two reasons. One, if there is no Plan expenditure, then the entire revenue expenditure is non-Plan in character and the Finance Commission should consider the entire revenue expenditure in its devolution system. Two, hitherto, the Planning Commission was recommending Plan-grants for State Plans based on the Gadgil-Mukherjee formula. Now, this part of the financial transfer, which legitimately belongs to the States, should be decided on the basis of a scientifically drawn distribution formula. Hence, it would be appropriate to assign this task to the Finance Commission, with additional terms of reference. Either way, the formula-based untied transfers to States should be intact.

Is the Planning Commission a Centralising Agency?

Yes, it is. But it has evolved over the years and acquired some federal characters. Soon after the Third Finance Commission recommendation regarding Plan grants to the States was not accepted by the Union government, the States started clamouring for a formula-based Plan grant. In 1969, the Gadgil formula was evolved to distribute Plan grants among the States and it was altered in the early 1990s as the Gadgil-Mukherjee formula. Since the 1960s State Chief Ministers, mainly from the regional parties, have forcefully articulated the need to reduce the number of Centrally sponsored schemes (CSS) at National Development Council meetings, and successive Union governments have also tried every now and then to regulate the financial transfers to the States for implementing the CSSs. Since the early 2000s, the growth of the Union government's own revenue net of the States' share facilitated Union Ministries, particularly those in infrastructure and social welfare sectors, to proliferate CSSs and schemes eligible for obtaining Additional

Central Assistance (ACA) for Plans. Over the years, the quantum of financial transfers for CSS/ACA outstripped the formula-based Plan transfers to State Plans. The stringent conditionality for the implementation of these CSS/ACA schemes stifled the active participation of State governments in administering them. There were complaints about the transfer of funds directly to local bodies and quasi-government organisations, bypassing the State governments for these Plan schemes, which undermined the authority of the State governments over these institutions. In the last 15 years, many regional parties that have been part of the Union government have been silent spectators to these centralising efforts and sometimes they were active participants in their respective Ministries.

Once again, in 2011 the Union government constituted the Chaturvedi Committee to suggest ways to restructure CSSs. Though its report has not been debated by the States, its recommendations to reduce the number of flagship programmes and other ACA programmes and to transfer the rest of the schemes to the State plan can be construed as yet another effort to accommodate the States' views on planning at the national level. Hence, continuous efforts have been made to bring in the federal dimension to the otherwise centralised planning process in India. These efforts have had varying degrees of success, but they do give us hope that evolving a nationwide planning strategy with active State participation is feasible.

Annual plan meet at Yojana Bhavan

Sometimes, Chief Ministers have aired the opinion that the annual Plan meetings between the States and the Planning Commission were ritualistic and that it was humiliating for an elected Chief Minister to ask for funds from nominated members of the Planning Commission who are not directly answerable to the people. These opinions have, at best, been more popular as political posturing and do not have much substance.

The Planning Commission is expected to mediate between the Union and State governments and to channel more funds towards Plan schemes. Every year, the Planning Commission engages with the Union Finance Ministry to get more funds for both State Plans and the Central Plan. Then it uses the Gadgil-Mukherjee formula to distribute the

Union government's allocation for State plans among the States. Another major part of the Plan transfer is through the CSS/ACA route, wherein matching grant requirements should be fulfilled by the States. Hence, the meeting between the Chief Minister and the Planning Commission is only a procedural issue; otherwise, most of these Plan transfers are formula-driven. The annual Plan meeting at Yojana Bhavan should be treated as a stock-taking of our developmental efforts and an opportunity to make our policies more people-centric. No doubt, only elected representatives are answerable in the peoples' forum, but autonomous bodies like the Planning Commission can be a participant and act as a real-time critic of State policies.

In the absence of the Planning Commission, the Union government directly gets additional financial and expenditure powers to distribute moneys across States without any guiding principle or formula. This is nothing but the transfer of power from Yojana Bhavan to 7, Race Course Road, coupled with opaqueness in the transfer system as far as the States are concerned.

Neoliberal spirit



Union Finance Minister Arun Jaitley holding a pre-Budget meeting with representatives of industry and trade in New Delhi on June 6. Significantly, the Planning Commission was not involved in the making of the Modi government's first budget.

The Independent Evaluation Office, set up by the previous government to evaluate key Central schemes, goes to the extent of examining the role of the Planning Commission itself and recommending its abolition. By PURNIMA S. TRIPATHI In New Delhi

THE process of scrutinising the Planning Commission's relevance began during the United Progressive Alliance (UPA) regime, with the setting up of the Independent Evaluation Office (IEO). It was initially tasked by the Prime Minister to independently evaluate key schemes and flagship programmes of the government. Instead, the IEO set about examining the role of the Planning Commission itself and subsequently came out with the startling recommendation that it be abolished as it had no relevance in the changed economic-political scenario.

Part of the recommendations made by Ajay Chhibber, Director General (DG) of the IEO, who submitted the report to Prime Minister Narendra Modi on June 23, reads thus:

“Since the Planning Commission has defied attempts to bring it in line with the needs of a modern economy and the trend of empowering the States, it is proposed that the Planning Commission be abolished. It is recommended that the Planning Commission’s role as an allocator of resources to the States should be taken up by the Finance Commission and the allocation of resources amongst the Central Ministries should be carried out by the Finance Ministry. It is also proposed that the role of the Planning Commission as a think tank of the government be carried out by a specialised body staffed by experts with domain knowledge. This is in contrast to the Planning Commission which is manned by generalist bureaucrats who currently comprise the vast majority of its staff.”

The recommendations raised a storm in the corridors of Yojana Bhawan, the imposing colonial building in the heart of New Delhi housing the Planning Commission. “Who is he to say that the Planning Commission be abolished? He is a novice who does not know what he is talking about. If somebody stands up tomorrow and says that the Reserve Bank of India should be abolished, will the government do that?” said a senior bureaucrat in the Deputy Chairman’s office, which has been lying vacant since the change of government at the Centre, to *Frontline* shortly after the contents of the report were known. Significantly, in an ominous signal of the shape of things to come, which the Planning Commission officials refused to acknowledge, the budget exercise this year was done without involving the Planning Commission.

The IEO and the significance of its report

It is important to understand what the IEO is and why its recommendations have acquired so much significance for the Prime Minister to announce the demise of an age-old institution. The IEO was set up by the UPA government in 2010, through a Cabinet decision, to:

- Help improve the effectiveness of government policies and programmes by assessing their impact and outcome.

- Set guidelines and the methodology for all evaluations done by various departments and agencies and encourage a culture of openness and learning in government systems.
- Bring the best in international evaluated evidence in development practice and knowledge to India and learn from others' successes and mistakes.

The institution of the IEO was perhaps the result of a belated realisation by the UPA government that its flagship schemes and programmes were not yielding desired results. Even though the Cabinet decided to form the IEO, it took three years for the institution to be established fully and it was only in August 2013 that a DG was appointed. The full-fledged office of the IEO could be started only in February 2014, when the actual work began. The DG of the IEO has been accorded the status of a Minister of State and he enjoys a tenure of three years, extendable to five years. The IEO has the freedom to conduct independent evaluation of any programme which has access to public funding or implicit or explicit guarantees from the government. It also has the authority to make its findings public without any interference from the government.

The IEO's report recommended that the Planning Commission be abolished and a think tank be formed, staffed by experts from different knowledge domains, and that the current work of the Planning Commission be done by already existing agencies mandated to do those particular tasks.

As per these recommendations:

- The Finance Commission should be tasked with allocating centrally collected funds to the Central government and the State governments.
- A Department of Planning should be created in the Finance Ministry to apportion funds amongst various Central Ministries for their capital expenses.

- A Reform and Solutions Commission should be established to act as a think tank of the government which is answerable to Parliament, replacing the Planning Commission.

The Planning Commission was set up in March 1950 through a Cabinet decision. The IEO report says that it was created at a time when there was an absence of adequate coordination and sufficient information about the availability of resources because of the specific circumstances existing then. The country had just gained Independence; existing geographical boundaries had been abolished and new States had been created; there were pressures on the economy as a result of the Second World War and the displacement of millions of people; and there was a huge dislocation of the supply of essential raw materials, which had put the country under pressure. “The Planning Commission was created in response to the unique challenges faced by a nascent democracy and a fledgling economy. It conceived a top-down approach to planning that envisaged a dynamic Central government building up the economic and social order of weak States... in keeping with Nehruvian socialism which envisaged a largely planned economy with the Central government responsible for a dominant portion of investment in the economy.”

The report further says that since the Planning Commission was chaired initially by Jawaharlal Nehru, a man with democratic legitimacy and nationwide moral authority in the aftermath of the Independence movement, and also because all the States were led by Chief Ministers of the Congress party, concerns about impinging on the rights of the States and diluting the federal structure of the country did not arise then.

The report further says: “But India has undergone a political and economic transformation since 1950. A Planning Commission responsible only to the Prime Minister no longer enjoys the legitimacy that it had during the turbulent times when it was created.” Now, concerns regarding federalism, Constitutional impropriety, accountability, and human resources and organisational structure have come up, the report says, adding, “The bureaucratic inertia of the organisation has stymied several

attempts at reforms and it is reasonable to assume that it will stymie others.... A bold and radical step is required. It is recommended that the Planning Commission be abolished and its staff returned to their parent cadres.”

Past efforts at reform

The IEO report becomes significant because it has succeeded in doing what past efforts had failed to do. This is not the first time that efforts at reforming the Commission have been made. C.G. Somaiah, former Member-Secretary, has written about how an exasperated Rajiv Gandhi had once called the Planning Commission a “bunch of jokers” in 1985 as he wanted the Commission to think and plan big: plan for big airfields, speedy trains, shopping malls, big centres of excellence.

Instead, the Commission was stuck on the argument of rural deprivation. Manmohan Singh was the Deputy Chairman of the Planning Commission then and Somaiah writes that it took Rajiv Gandhi a lot of time to convince an upset Manmohan Singh not to resign. Interestingly, when Manmohan Singh became the Prime Minister, he asked Montek Singh Ahluwalia (in his second tenure) to examine the role of the Planning Commission and recommend reforms. Ahluwalia, then Deputy Chairman of the Commission, responded, “We have yet to come to a satisfactory operational modality.” Before that, Manmohan Singh had asked the then-member Arun Maira to informally work out how the Commission could be reformed. Maira interviewed 19 eminent persons and the unanimous verdict then was that the Commission was totally out of sync with the 21st century. Incidentally, former Finance Minister P. Chidambaram had also once described the Planning Commission as being “too unwieldy”.

Several experts agreed with the IEO report that the time had come for the Planning Commission to either reinvent itself or become irrelevant. “The time has definitely come for a revamping of the Planning Commission. It is no longer relevant in today’s context. At the most, it should confine itself to monitoring the implementation of different

government schemes and plans and advise the government on formulating long-term development plans,” said Dr N.C. Saxena, former member of the Planning Commission, reacting to the IEO report.

Since Narendra Modi’s views on the Planning Commission were not a secret (as Gujarat Chief Minister, he had once shocked many by accusing the Planning Commission members of being highhanded and adopting a regressive “one size fits all” approach towards the States), it was a foregone conclusion that the IEO report would certainly be the catalyst for drastic changes. It was not a surprise, then, when the Prime Minister declared from the ramparts of the Red Fort that the time had come to dismantle the “old house and build a new structure in its place.”

Interview: Ajay Chhibber

‘The Planning Commission has become a hindrance’



By Special Arrangement Ajay Chhibber.

Ajay Chhibber, Director General, Independent Evaluation Office, laid the ground for the dissolution of the Planning Commission. He is an eminent economist with international experience. Prior to being appointed the IEO's DG, he was based in New York as United Nations Assistant Secretary General and Assistant Administrator at the United Nations Development Programme. Before that he had worked at the World Bank for 25 years on a range of development programmes in Vietnam, Turkey, Indonesia and the Pacific. He was the lead author of an internationally acclaimed work on governance at the World Bank, the 1997 "World Development Report on the Role of the State". He has also written many other books and articles in international journals. He spoke to *Frontline* about what is wrong with the Planning Commission and what can be done about it. Excerpts from the interview.

The press release put out by the Planning Commission on August 12, 2013, the day you joined as DG, IEO, said the IEO would conduct independent evaluation of Plan programmes, especially flagship programmes, and assess their effectiveness, relevance and impact. What made you evaluate the Planning Commission itself?

I have been appointed as an independent evaluator by the Government of India, with full authority to evaluate any scheme, programme or project, without the government

interfering in any manner whatsoever. True, my first two tasks were to assess the Public Distribution System (PDS) and maternal and neo-natal mortality rates. We later added an evaluation of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) also. I am just doing the job assigned to me by the government.

But what made you evaluate the Planning Commission itself?

First of all, let me make it very clear. There is nothing personal in this. I am just doing my job as an independent evaluator for which I am authorised. The Planning Commission was created in 1950 through a mere Cabinet resolution. It has no Constitutional sanctity. It came into being through a mere executive order and then it just continued to grow, taking over jobs assigned to other institutions like the Finance Commission. For example, allocation of funds to the States was the job of the Finance Commission, sanctified by the Constitution, but the Planning Commission appropriated this task to itself. Because of a different historical context, it even got into micromanagement of devolution of funds, how schemes should be run and even to the extent of how the States should spend those funds.

When we started looking at the schemes, and travelled to the States, we realised that the States were not very happy with the way such schemes were designed Centrally and literally pushed down their throats. The States were made to follow the “one size fits all” theory of the Planning Commission for the implementation of the schemes. The States wanted more flexibility; they wanted freedom to design their own schemes, the way they should be implemented and the way funds meant for various schemes should be spent. They wanted to experiment with new ideas, new ways of implementing ideas. At the moment they are denied this freedom.

We realised that the real problem in schemes not benefiting people lay not so much in the schemes as such but in the way they were approached by the States. We realised that different approaches should have been adopted by different States, which, at the moment,

is not available. The Planning Commission did try to inject some flexibility, but that did not have much impact. Also, the majority of the staff at the Planning Commission are generalists, not domain experts, which made it frustrating for the States to explain different issues. That is when we started looking at the Planning Commission itself. The then Prime Minister Manmohan Singh too said that we needed to reform the Planning Commission. So we started looking at the historical background, why it was created and whether it was still serving the purpose for which it was created.

We realised that the Planning Commission was initially envisaged only as a think tank, but over a period of time it appropriated to itself the work of other institutions and started the tight-fisted approach of allocating funds between the Centre and the States and among different Central Ministries. This was a task which should have been done by the Finance Commission and the Finance Ministry, for which they are mandated, but the Planning Commission appropriated this job to itself. I have explained in the report how and why this happened and have recommended that they should just be a think tank, thinking big for the long term, generate fresh ideas, look at innovations, suggest systemic reforms and not get involved in the humdrum of routine administration.

There have been attempts in the past to reform the Commission, but nothing much has changed. Do you think it will be different this time? Do you think some genuine change will actually come about or will it be old wine in a new bottle again? The same mechanism, with a different name?

I think , this time it may be different. Maybe this is an idea whose time has come. I am waiting. Besides, there is a general realisation that the distinction between Plan and non-Plan funding makes no sense now. The distinction should be between current and capital expenditure. Now we have arrived at a situation where the Planning Commission has become more of a hindrance than a help in development. There is a drastic need for infusing some fresh new blood in the Planning Commission and get rid of the old rusted system where tomes of files breed cockroaches and keep gathering dust, with nobody

even interested in looking at them; where moth-eaten heaps of reports keep lying for years, with nobody ever needing them. It is good the Prime Minister has also felt the need for change and, hopefully, something good will come out of it.

Since the Comptroller and Auditor General (CAG) is also an institution which evaluates government schemes and programmes, don't you think there is an overlapping of areas between the IEO and the CAG?

No, there is no overlapping. Our work begins where the CAG's ends. The CAG looks at the input and output of funding. We look at what happens after the outflow of funds. Our job is more people-centric; we try and find out how people have been impacted by these schemes, how they have benefited or not benefited them, and if not, then what are the reasons for that. In fact, we complement what the CAG does.

Do you really believe that a humongous institution like the Planning Commission can be abolished, as you have suggested in your report?

There is no denying the fact that it needs to be reformed. But since efforts to reform it have failed in the past for whatever reasons and bureaucratic inertia has seized it so badly that it is impossible to reform it, it should just be abolished and a new, leaner commission, Reforms and Solutions Commission, should be put up in its place. This was my personal opinion at that time and I am happy that the government has agreed with it.

Purnima S. Tripathi



pmo beat ■ **R. Prasannan**

Panel under fire; no evacuation plans

One of the favourite trap questions of job interviewers used to be: "Who is the chairman of the Planning Commission?" God knows, and Google doesn't know, how many bright young men and women have, without thinking, given the deputy chairman's name, and kicked themselves all the way home. They all would have blessed Narendra Modi when he said 'Vanish!' to the commission from the ramparts of the Red Fort on I-Day.

There was nothing planned or predictable about the Planning Commission, except that the PM was always its chairman. Deputy heads were given cabinet rank, but not always. At times, ministers of planning doubled as deputy chairmen.

Unlike the Finance Commission which has a constitutional status, the Planning Commission didn't [oops, doesn't; it still exists] have even a statutory status. It was created by an executive order in 1950. Nehru said, let there be planning commission, and there was Planning Commission. Simple!

One thought banishing it would be equally simple. Modi said, from the Red Fort ramparts, that instead of repairing an old house, it is better to pull it down and build a new one. But no! Though created without a plan, the commission has come to acquire a lot of mass over the years. It no longer can be wished away.

Modi has since come down from the high ramparts. Yojana Bhavan still stands on Parliament Street in all its sarkari drabness.

Modi, at the most, will install a new body in it with a new name. Like what the Chinese did. They banished their Planning Commission, and set up a Guidance Commission.

Don't take my word. Look at what is happening in Yojana Bhavan. Last Tuesday, full 10 days after Modi said vanish, "experts were invited for the consultations ... at the Planning Commission" to discuss "the proposed new design and structure for the Planning Commission". The experts, incidentally, were the usual suspects—former members, advisers and associates of the commission itself. Even the just-resigned deputy head Montek Singh Ahluwalia was invited. But Montek thought the better of attending a hara-kiri meeting. He mailed his ideas. Not satisfied, Modi has now asked for ideas from the public. Cheek!

Modi seems to have come round to what Dwight Eisenhower said: "Plans are worthless, planning is everything." Champions of free enterprise say five-year planning is a

vestige of the Stalinist-socialist era. Probably. But let us not discount that legacy. A couple of five-year plans enabled Stalin to transform a nation of vodka-drunk serfs into an industrial giant that produced battle-tanks by the hour to defeat the finest Prussian panzers, laid the launch-plans for space rockets, and matched the Americans bomb for bomb.

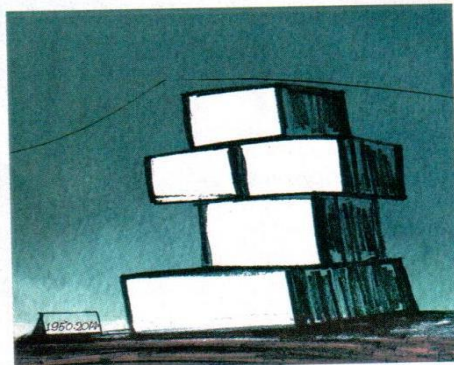
No different, though less dramatic, has been our experience. Planning helped us to build dams, grow grain and defeat famine after a thousand years, set up primary schools and IITs, send up rockets to the moon and Mars, make steel, study atomic physics, vaccinate babies, and double their life expectancy from 32 years in 1947 to 64 today.

Modi's problem is not the socialistic tag attached to the commission. He thinks it is anti-federal. Play back his I-day speech: "Economy is much more broadbased now. State governments are also hubs of development.... If we have to take India forward, states have to be taken forward."

No need to shed tears for the old commission. It lived the full life of an Indian—64 years. It created the fundamentals of a robust economy that can now take off. The 'control' tower of the state now has to switch on its 'guiding' radars.

TAILPIECE: What Vladimir Putin said of the Soviet Union is true of the Planning Commission: anyone who doesn't regret its passing has no heart; anyone who wants it back has no head.

prasannan@the-week.com



BHASKARAN



mani-festo ■ Mani Shankar Aiyar

Undoing Planning

In all the brouhaha over winding up the Planning Commission, the key unanswered question remains: what are they going to provide in its place?

Narendra Modi is not the first to reflect on the relevance of planning to the economic life of the nation. Indeed, my first crossing of swords with Dr Manmohan Singh on the subject occurred at the Pachmarhi *chintan shivir* in 1998. I was required to draft the principal conclusions of the *shivir* for the consideration of the Congress Working Committee. While the CWC luminaries foregathered on the verandah of a bungalow on the other side of the road, on this side I was provided a computer to hammer out the draft. As each page was finished, it was sent off to the Big Bosses. The first page contained a cliché from previous Congress communiqués about “planned development”. Doctor sahib had scored out “planned” and written “balanced” in the margin. I rewrote the phrase to read “planned and balanced development”, and sent it back for final approval.

After finishing the draft, I went across the road to receive the congratulations that were invariably showered on me for writing a few paragraphs of recycled trite. I was, however, faced with an incensed Dr Singh, who demanded to know how I had dared retain “planned” after he had crossed it out. I began protesting when he thundered that if I did not remove it, he would take it up in the formal

meeting of the CWC, and if there, too, it were retained he would have to consider resigning. At this point, I felt my kurta being tugged from behind. I turned. It was Natwar [Singh]. He whispered, “*Chhodo, yaar.*” In some heat, I whispered back, “But, sir, planning has been the Congress credo since the Karachi Congress of 1931.” “I know,” he said. “But what difference does that make?” “If it makes no difference to you,” I muttered, “why should it to me?” and stormed off to delete the offending word.

So, through the two UPA governments, the Planning Commission was run by people who did not believe in planning. No wonder, Montek Ahluwalia’s last act reportedly was to write a long note suggesting drastic reform, or even winding up, of the Planning Commission.

But before we move in haste, a word of caution. Of course, the economy has changed so significantly since 1931, or even 1947, as to warrant rethinking, particularly as we now have a more broad-based entrepreneurial class that goes beyond the pre-independence triad of Tata-Birla-Dalmia. They can look after themselves—the coda being that the state must not intervene to bail them out as our government has been doing at an average of ₹5

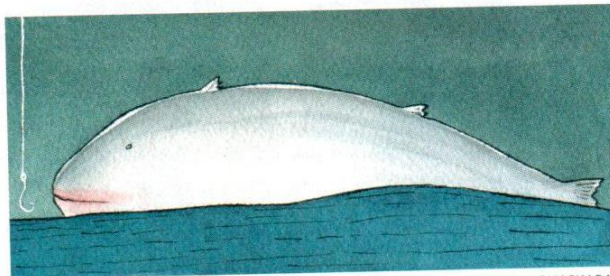
lakh crore stimulus a year since the global meltdown, additional to our banks running up mammoth “non-performing assets”—unpaid loans—to keep the most prosperous Indians in champagne and caviar, however much of a mess they might have made of their businesses. That lot can, and should be, left to look after their own.

The real task of a reformed Planning Commission, following Dr Singh’s outburst, should have been to look after the unsuccessful Indian, amounting to 77 per cent of the Indian population according to Dr Arjun Sengupta (a figure since reprised by Rahul Gandhi). They are the ones in need of subsidies, technological innovation, skill development and all the other necessities for poverty and “vulnerability” (Sengupta’s phrase) to move to self-reliance and, perhaps eventually, towards prosperity.

Let us, however, end the Planning Commission’s massive stimuli for the AAP—the Ambani Adani Party—and concentrate on the disadvantaged. Their advancement requires the social, political and, above all, administrative empowerment to enable them to access their entitlements and thus to combine empowerment with entitlements to attain, as the nascent

middle-class has done, a measure of enrichment. We need a Devolution Commission, if not a Planning Commission. Without that, the rich will swim and the poor will sink.

Aiyar, a former Union minister, is an MP and social commentator.



BHASKARAN

PART B

NEWS AND VIEWS

Wednesday, 5th September 2014

Polity

: BJP, Sena patch up as Shah meets Uddhav

Economy

: Rupee gains for second straight day

Planning

: Ministerial Panel in Place to Set up Green Regulator

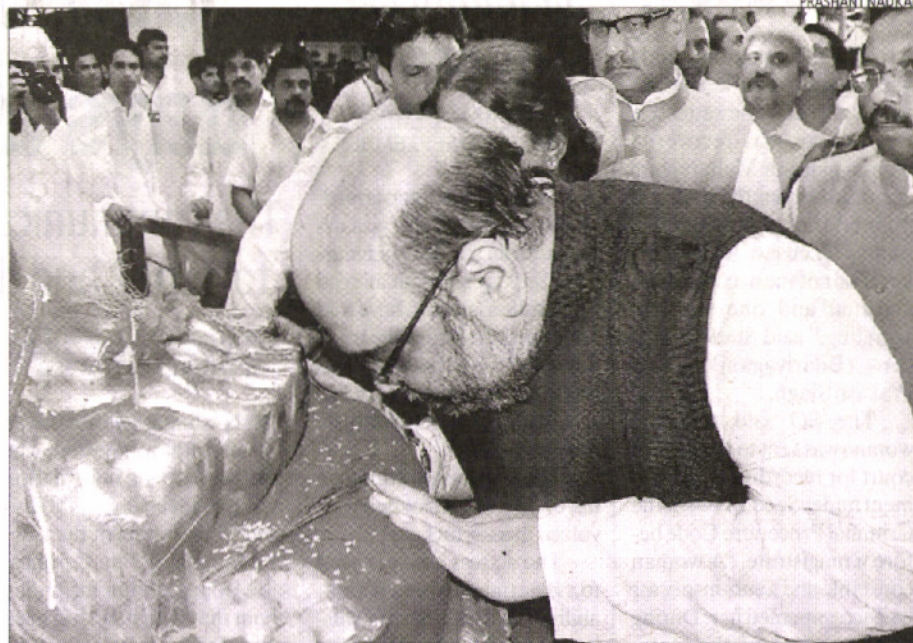
Editorial

: A Capital plan

Communication, IT & Information Division
Phone # 2525

BJP, Sena patch up as Shah meets Uddhav

■ BJP chief visits 'Matoshree', says alliance intact; Thackeray assures he won't be rigid on seat-sharing



BJP chief Amit Shah seeks blessing of Lalbaugcha Raja at Lalbaug in Mumbai.

SHUBHANGI KHAPRE
MUMBAI, SEPTEMBER 4

BJP PRESIDENT Amit Shah walked an extra mile to mend the fences with its alliance partner in Maharashtra, Shiv Sena, on Thursday to ensure that the 'Mahauti' — the grand alliance that helped the party to sweep the state in the recent Lok Sabha elections — remains intact in the 2014 Assembly polls.

In return, Shiv Sena president Uddhav Thackeray assured the BJP chief that his party will not be rigid during the seat-sharing talks.

In a bid to strengthen the alliance, which has been under strain in the recent months, Shah swung into a

damage control exercise soon after reaching Mumbai through symbolic gestures like paying floral tribute to Bal Thackeray at Shivaji Park and then visiting Uddhav at his Matoshree residence on the invitation from the Sena chief.

Shah also issued a stern and clear message to party workers, critical of the ally, saying "the Sena-BJP grand alliance is here to stay". "I can guarantee that it will win the elections... Let nobody get overworked about what is the seat-sharing formula or issues related to the elections. Leave those issues of seat negotiations to the leaders. We are here to address the issues. The workers should know well that the grand alliance will go ahead in the (Assembly) polls

to dislodge the corrupt Congress and NCP government," he said while addressing party workers earlier in the day.

At a public meeting in Dadar, Shah emphatically mentioned the name of Bal Thackeray amongst the several great leaders and reformers in Maharashtra along with Chhatrapati Shivaji, Jyotiba Phule, B R Ambedkar.

Ahead of Shah's daylong visit, there were speculations whether he would meet Sena chief. However, 12 hours ahead of the visit, Uddhav spoke to Shah over phone and invited him to Matoshree, to which he readily agreed. Interestingly, throughout the day Sena leaders remained silent, refusing to comment on the developments.

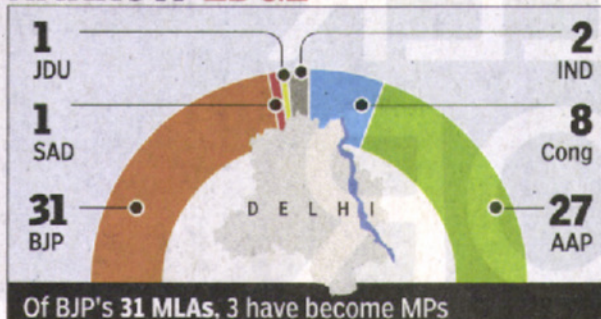
BJP may get invite to form Delhi govt

LG Seeks Prez's Nod To Call Largest Party

Bharti Jain, Himanshi Dhawan & Mohua Chatterjee | TNN

New Delhi: Delhi lieutenant governor Najeeb Jung has written to President Pranab Mukherjee seeking permission to invite the single largest party in the state assembly to form the government. This could pave the way for BJP to take over the reins of the city and avert the prospect of

NARROW EDGE



early polls.

BJP, with 32 MLAs including one from ally Shiromani Akali Dal, is the single largest

party in Delhi. Three BJP MLAs — Harsh Vardhan, Ramesh Bidhuri and Parvesh Verma — who were elected to

the Lok Sabha recently, are yet to resign from their respective assembly seats.

Top sources in the government told TOI that the LG's note has been forwarded by the President to the Union home ministry for its opinion.

When contacted, Rashtrapati Bhavan sources confirmed that Jung had submitted a report on Delhi on Thursday evening. "We received the report this evening and have sent it to the ministry of home affairs for its view," said an official. The report said the BJP should be allowed to prove its majority on the floor of the assembly, said sources.

There are indications that political interests of the BJP and the fact that many legislators do not want an election could lead the home ministry to endorse the LG's view.

Delhi has been under President's rule ever since Arvind Kejriwal resigned as chief minister in February.

Although AAP has demanded that the assembly be dissolved and elections called, the LG recently told TOI that he was exploring the possibility of the formation of a government and was not done with the exercise yet.

► Continued on P 6

'Doubtful' BJP ready to explore all possibilities

TIMES NEWS NETWORK

New Delhi: With lieutenant governor Najeeb Jung indicating at government formation in Delhi in his report to the President, BJP leaders say that if invited, they will try out all options. Though the state leadership is divided over the issue, senior leaders don't rule out the possibility of running a minority government. Many believe it will help the party strengthen its base in the city as it can address some of the pending issues and announce welfare schemes.

"We are open to elections as well as running a minority government. There have been minority governments in several states. We will explore the possibilities if LG invites us to form the government," said Satish Upadhyay, Delhi BJP president.

Sources say a large number of state leaders, including MLAs, are keen to form the government to address issues like regularization of unauthorized colonies and develop-



"WILL PICK CM": Upadhyay

ment work. "If the party forms the government, it can do a lot till December. It will help us during the next assembly election. The recent announcement of power subsidy and other similar schemes will help BJP strengthen its base," said a senior leader.

But many others feel such a decision would be disastrous as it would compromise BJP's image. It will also affect the party's prospect in the assembly elections in four other states. "Any attempt at government formation will only give our opponents a chance to attack us. Some of our senior

leaders have already made it clear that the party is ready for election," said a senior leader.

With 29 MLAs—including its ally Akali Dal's one legislator—BJP might be the single largest party in the state but it is way behind the simple majority mark of 36 in the 70-member assembly.

Going to polls will mean BJP will have to project a leader capable of countering AAP leader Arvind Kejriwal who is bound to throw his all to regain the ground lost in the Lok Sabha elections. BJP sources say, is yet to take up the issue. Jagdish Mukhi, the senior-most MLA in the party, has been aggressively pushing his candidature. But after Harsh Vardhan's elevation to the Union Cabinet, BJP has not zeroed in on any chief ministerial candidate.

"The issue of government formation and the name of CM candidate are interlinked. If we are invited to form the government, we will finalize the CM candidate," said Upadhyay.

PM's address: Schools banking on watchmen, panchayats for TV sets

ASHOK KAURA

PHAGWARA, SEPTEMBER 4

With Prime Minister Narendra Modi's Teacher's Day speech to be beamed across the nation tomorrow, officials of the state Education Department are at tenterhooks. They are banking on watchmen and village panchayats to arrange TV sets for students in most schools.

There is no TV set in 110 government primary schools in Phagwara subdivision. Block resource person Satwant Thor said: "Some watchmen stay in the school campus. They have TV sets in their rooms. We have requested them to lend the sets to the school authorities. We have also asked village panchayats to make arrangement for a TV set for a day. Only 26 gov-



TRIBUNE PHOTO: SARABJIT SINGH

- A day before the Teacher's Day, students of a local government school were seen sweeping the school ground and removing puddles created by incessant rain (see pic)
- The principal said they did not have an auditorium to accommodate all students for the PM's speech
- The school head said they did not have enough funds to ensure a TV or radio set in each classroom. They had, therefore, hired a projector and a screen

— Rachna Khaira

ernment schools of the 176 in Phagwara have the edusat facility."

The edusat system is installed in rooms that are not big enough to accommodate all students at one time. "We will surely use radio sets in primary schools where it is impossible to provide TV sets," said Thor. A teacher said many radio sets were not working. Thor said they had been informed today that students of Class I and Class II could be exempted from attending school for the PM's speech. Most schools are finding it difficult to outsource equipment like projectors, TV and radio sets and generators. Reliable sources said that plasma TV sets installed in several schools are lying defunct.

Teaching not a profession but 'jeevan dharm': PM



Prime Minister Narendra Modi addresses awardee teachers on the eve of Teachers' Day in New Delhi on Thursday

PTI

PNS ■ NEW DELHI

A day before the Teachers' Day celebrations, Prime Minister Narendra Modi on Thursday conveyed that teaching is not a profession but "jeevan dharm" (a way of life). Interacting with the 350 national awardee teachers, who will be felicitated by President Pranab Mukherjee on Friday, Modi said a teacher never retires and always endeavours to teach the new generation.

"If a society is to progress, teachers must always be two steps ahead of time. They need to understand changes happening across the world and prepare the new generation accordingly by arousing curiosity in them," Modi conveyed through video conference.

Modi said two of his wishes after he became the Gujarat Chief Minister were to meet his childhood friends and honour

his teachers and now this seems to have been fulfilled. "The role of a teacher is very important in any student's life," he said.

Speaking in a lighter vein, Modi said he is sure the teachers, who will be honoured by the President, would not be affected by "Delhi's airs". "I am sure it would not happen," said Modi, who has in the past referred to himself as an outsider in the Capital.

The teachers also participated in the informal interaction and expressed their views on various aspects of teaching. Modi will be interacting with students on occasion of Teachers' Day across the country, the announcement of which has resulted in controversies.

Modi later in the day also greeted teachers through an email message stating that it is a divine responsibility to them to guide and enlighten. "By

according high status to the teaching community, India had once attained the status of Vishwaguru. We must once again accord such respect to the teachers and thereby regain that status where India becomes the beacon of knowledge for the entire world," he added. The Prime Minister said the wheels of change have put India on the march towards Surajya.

Quoting the PM during the Teachers' Award Ceremony at Mankeshaw Centre, HRD Minister Smriti Irani asked the teachers to continue to light up the lives of students and help improve them as a teacher within them never retires. Irani felicitated CBSE teachers and mentors for their contribution in the field of education and exhorted them to inculcate values in children and prepare them into good human beings.

Teacher' within a teacher should not retire: Smriti

STATESMAN NEWS SERVICE
New Delhi, 4 September

On the eve of Teachers' Day, the Human Resource Development Minister, Ms Smriti Irani, today felicitated CBSE teachers and mentors for their contribution and exhorted them to inculcate values in children. She said teachers "should not retire" from preparing young ones to become good human beings.

"With your efforts, you will be able to liberate students with education so that they can contribute towards a prosperous, great and healthy

nation like India," she said.

Giving away awards to 33 CBSE teachers and 15 mentors from home and abroad, Ms Irani said each one of them have a greater role in converting students into good human beings.

Quoting Prime Minister Narendra Modi, while addressing awardee teachers at a function here, Ms Irani said teaching is not a profession but a way of life.

"Inspiring teachers by engaging with them in a direct interaction Prime Minister has said teaching is not a profession but a 'Jeevan Dharm'," she said.



Addressing the national executive meeting of the BJP Teachers Cell here today, Ms Irani thanked teachers for their contribution to nation-building by developing the personality of students. She said teachers have vast ex-

perience of struggle in their lives and that can be taught to their students.

She said, "teaching is not to be considered a mere profession but a Dharma, that is more than a way of life".

Wishing that "the teacher within you (teaching community)" never retires, almost in a tongue-in-cheek fashion, she said, "all ministers have a term to serve, but teachers never retire".

Paying rich tribute to the teaching community, Ms Irani said, "You (teachers) have learned not only from your teaching experience but also from struggles of life".

In her address at the award function, the minister cited the instance of an unethical doctor in Beed district in Maharashtra and lamented that while the institution "made him a doctor it has failed to make him a human being". The selection of the CBSE awardees was based on academic efficiency and desire for improvement, genuine interest and reputation in the community, love for children, perseverance and commitment towards the field of education. The awards consist of a merit certificate, a shawl and a cash prize of Rs 25,000.

Vijayawada is Naidu's choice

City and VGTM region will be the new A.P. capital; decentralised development planned for State

Appaji Reddem

VIJAYAWADA: It's official. Vijayawada and the surrounding VGTM (Vijayawada, Guntur, Tenali and Mangalagiri) region will be the new capital of Andhra Pradesh. The city happens to be a vital road-railway junction, besides having air and port connectivity.

Addressing the Andhra Pradesh Assembly at 11.10 a.m. on Thursday, Chief Minister N. Chandrababu Naidu said: "The Cabinet has decided on September 1, 2014, to locate the capital city in a central place of the State around Vijayawada and to go for decentralised development with three mega cities and 14 smart cities."

Land pooling

For the acquisition of land, the government will go for a pooling system to be worked out by the Cabinet subcommittee, he added.

The announcement was not a smooth affair for Mr. Naidu as the Opposition felt the government was favouring a section of people



THE CHOSEN ONE: Vijayawada region will form the core of Andhra Pradesh's new capital. — PHOTO: V. RAJU

and insisted on a debate. Irate opposition members forced adjournments.

The YSR Congress Party, the main Opposition party, felt the capital should be located where over 30,000 acres of government land was available so that public utilities, including housing for the common man, may not be an expensive affair. Party chief Y.S. Jaganmohan Reddy, however, said he would support Naidu's decision.

Mr. Naidu announced projects and schemes for each district, which, by industry estimates, may warrant an outlay of over Rs. 5 lakh crore altogether. Three international airports at Visakhapatnam, Vijayawada and Tirupati and nine regional airports in various districts are on the anvil.

The Cabinet resolved to locate the capital city around Vijayawada and go for decentralised development with three mega cities and 14 smart cities. It is proposed to go for land pooling system

— N. CHANDRABABU NAIDU
CHIEF MINISTER

A.P. Chief Minister sticks to 'big capital' plan

K. Venkateshwarlu

HYDERABAD: In zeroing in on Vijayawada and its surrounding areas as the new capital of Andhra Pradesh, Chief Minister Chandrababu Naidu has chosen to ignore some of the vital recommendations made by the Sivaramakrishnan Committee constituted by the Centre to study various locations.

The Committee specifically cautioned against the temptation of selecting a governance architecture of locating all offices in one place, in a super large city. But Mr. Naidu, in his statement to



N. Chandrababu Naidu in Hyderabad on Thursday. — PHOTO: NAGARA GOPAL

the Assembly on Thursday, renewed his vow to create a "world-class capital city."

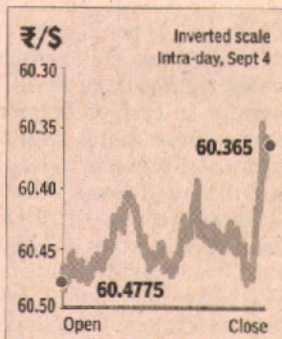
Rupee gains for second straight day, ECB policy meet outcome in focus

Mumbai, Sept 4: Rising for the second day, the rupee on Thursday closed at a one-month high of 60.36 paise, up 13 paise against the dollar on sustained selling of the US currency by exporters and some banks amid heavy capital inflows.

The rupee moved higher as gains in other Asian currencies aided, but a further rise was limited on the back of profit-taking seen in the domestic share market.

The Sensex snapped its nine-day winning streak as investors pared positions in blue chips such as ICICI Bank after a string of record highs earlier this week, and as caution prevailed ahead of a key European Central Bank meeting.

Traders say any further monetary stimulus easing



by the ECB could be a positive for Indian equities as it could bring in more foreign fund inflows. The ECB faces intense market pressure to take policy action.

Foreign fund flows into the domestic share and debt markets have been the key for the rupee. Total inflows so far in 2014 stand at \$30.6 billion.

"The next move in the rupee is likely to be towards 61.50 instead of 60 as the risks are building up. The very next global stress—rupee will move to 61.50," said Samir Lodha, managing director at QuantArt Market Solutions.

"ECB easing won't mean much for the INR as for most Indian trades the dollar continues to be the main funding currency."

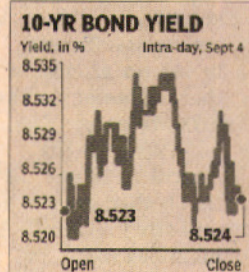
The partially convertible rupee closed stronger at 60.365 versus Wednesday's close of 60.49. Traders broadly expect the rupee to remain in a range of 60 to 61 over the next week. Losses in the euro ahead of the ECB meeting and mild gains in the dollar versus other majors limited a further rise in the rupee.

Reuters

Bonds end steady amid ample liquidity

Mumbai, Sept 4: Government bonds ended steady on Thursday as ample liquidity in the banking system and hopes of a peace accord between Ukraine and Russia offset concerns over a rise in oil prices.

Uncertainty over when the government would increase the limit for foreign investors in debt continues to worry market participants. Regulatory data showed foreign investors bought debt worth \$197.28 million on Wednesday, their fifth



consecutive day of purchases. A rise in crude oil prices also made traders jittery. The 2024 10-year bond yield, which became the benchmark last month, closed steady on the day at 8.52%. Reuters

Half of India was below poverty line in 2010: ADB

ISHAN BAKSHI
New Delhi, 4 September

The Asian Development Bank (ADB) has revised its poverty line to \$1.51 per person a day compared to \$1.25 by the World Bank, which would push the numbers of poor by 182 million to 584 million in 2010 compared to the WB's estimates of 402 million.

ADB's calculations implies almost half of India's population (47.7 per cent) was below the line in 2010. Both these estimates are based on the year 2005's purchasing power parity (PPP) rates.

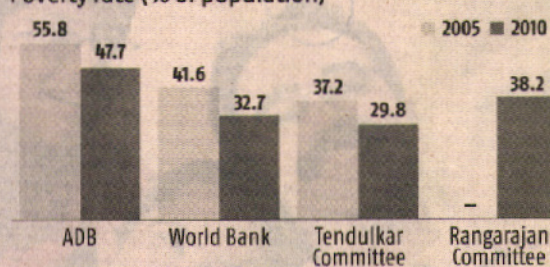
A few weeks earlier, the Centre for Global Development's (CGD) calculations suggested 102.3 million were poor in India in the same year. While poverty estimation is undoubtedly a complex exercise, such a sharp difference does raise the inevitable question of how many poor are there in the country.

The difference in these poverty estimates is on account of two factors — where one draws the poverty line and the PPP estimates used in the process of estimation.

ADB's latest estimates are

FAIRING POORLY

Poverty rate (% of population)



Sources: Asian Development Bank, World Bank, Planning Commission

based on revising the poverty line upwards from \$1.25 to \$1.51 per person per day. Though the regional multilateral agency mainly uses income for calculating poverty, in India it is expenditure that defines the poverty line. India does not have any official estimates for income distribution.

This revision was carried out on the grounds that the original poverty line was inadequate and did not truly reflect the costs required to maintain a minimum standard of living. By their estimates, India's poverty rate rises by 15 percentage points to 584 million in

2010, if compared to the poverty line of \$1.25.

CGD's estimate is based on the latest PPP rates for 2011 released by the International Comparison Program. Based on the new estimate, not only does the number of poor fall considerably but India emerges as the third largest economy in the world, accounting for 6.4 per cent of world gross domestic product.

While this estimate shows a considerable reduction in poverty, according to Martin Ravallion, senior vice-president at the World Bank, they are puzzling. For one,

Ravallion argues that when a developing country grows, one expects the Price Index (PI) to rise. The PI, basically the ratio of the PPP and the market exchange rate, fell for India from 0.333 in 2005 to 0.324 in 2011; that for China rose from 0.42 to 0.54. According to Ravallion, as a country grows, so do its real wages, which makes goods that are not traded internationally more expensive. Simply adjusting the 2005 PPP numbers using India's GDP deflator (an inflation measure), Ravallion estimates would lead to a higher PI of 0.43. A higher PI would depress per capita expenditures measured at PPP, translating to a higher estimate of the poor.

Another poverty estimate comes from the Rangarajan committee, which estimated the poverty line for India at ₹920 (weighted average of rural and urban areas) for 2009-10, estimating the poor at 454.6 million. At the latest 2011 PPP, this translates to a poverty line of \$2.03 per person per day. While, if one takes Ravallion's estimate of a PI of 0.43, the poverty line stands at \$1.53, remarkably close to that used by ADB.

Ministerial Panel in Place to Set up Green Regulator

Our Bureau

New Delhi: The Cabinet on Thursday set up a committee of ministers to work out the contours of an environment regulator. The committee comprises environment minister Prakash Javadekar, minister for power and coal Piyush Goyal, rural development and transport minister Nitin Gadkari and Chemicals and Fertilizer Ananth Kumar.

The decision follows the Supreme Court's order in January this year to set up an environment regulator. Initially, the Court had ordered that the regulator be in place by March 31, given that elections were due, the deadline was extended. The January 6 order of the Supreme Court made clear that a regulator set up under the provisions of the Environment (Protection) Act to appraise projects and regulate their clearances.

The ministers have at their disposal two versions of the proposed regulator. The first prepared in early 2011, which



ARINDAM

proposed a two-step process towards setting up an independent regulator by an Act of Parliament. However, the UPA government later junked this proposal describing it as "completely unworkable". A second proposal was prepared after the Supreme Court ordered the government to establish a regulator in January.

Among the issues that the committee of ministers will

have to address is the relationship between the Central and State Pollution Control Boards, which functions as the nodal agency to deal with air, water, noise pollution, and the proposed regulator. It will also have to navigate relations between states and the proposed regulator. The other issue it will need to address is harmonising existing environment laws with functions and powers of the proposed regulator.

The ministry has set up a committee headed by TSR Subramanian to review five environment related laws—the Environment (Protection) Act, 1986, Forest (Conservation) Act, 1980, Wildlife (Protection) Act, 1972, The Water (Prevention and Control of Pollution) Act, 1974 and the The Air (Prevention and Control of Pollution) Act, 1981.

The UPA government had informed the court on April 2 that it had prepared a draft Cabinet note proposing the functions and broad structure of the proposed regulator/authority and seeking approval of the Cabinet to the proposal.

Power Ministry moves Cabinet note to ensure coal supplies

Proposes pool pricing; allows plants to import

OUR BUREAU

New Delhi, September 4

To ensure continued supply of coal for the projects stranded for want of fuel the Power Ministry has proposed a roadmap including pooling of domestic and imported coal prices.

The Ministry has circulated a Cabinet note suggesting pooling of coal prices for power plants which have been commissioned or are in the process of being commissioned by the end of Twelfth Plan (2016-17) but do not have fuel linkage.

According to estimates, the impact of price pooling, if implemented for such plants

(commissioned before and after 2009) would result in the generation cost increasing by 23 paise a unit in 2014-15, by 17 paise for 2015-16, and 2 paise for 2016-17.

Prior to 2009 most of the plants (98 per cent) belonged to the public sector. After 2009, this changed with the private sector taking a large pie of the new projects.

The Ministry has also proposed that for making coal available to various categories of plants which have a letter of assurance from Coal India Ltd be regulated in accordance with annual coal quantity. Annual coal quantity is defined as the coal required to make the plant run at 85 per cent plant load factor.

The Ministry has recommended that for plants prior to 2009 the supply should be

kept at the existing level of 90 per cent of annual coal quantity.

For those which came after 2009 and where fuel supply agreements have been signed or are in the process of being signed, the Ministry has asked for supply to be made at 70 per cent of the letter of assurance by the fourth quarter of 2014-15, increased to 75 per cent by 2015-16 and subsequently taken up to 80 per cent by 2016-17.

The plants covered under the category have a combined capacity of 78,000 MW of which plants with around 4,000 MW are yet to sign a fuel supply agreement.

It has also proposed that the power plants can import coal on their own or procure through e-auction from the market over and above getting supplies from Coal India.

Govt to set up regulatory body to check faulty products

New Delhi, Sept 4: In order to protect consumers from faulty products and services, the government has decided to set up a regulatory body with the power to recall defective items and order reimbursement of the price of the goods and services.



"We have proposed amendment to the Consumer Protection Act for setting up of an executive agency 'Central Consumer Protection Authority' to promote, protect and enforce the rights of consumers enshrined in the Act," food minister Ram Vilas Paswan told PTI.

The proposed regulatory authority will have the power to examine the defective goods and file class action suits at National Consumer Disputes Redressal Commission (NC-DRC) for speedy adjudication of the matter, he said.

The minister said the authority will have power to impose penalty on those found violating any of the provisions of such laws which seek to protect the consumers interest. It will also have the power to recall any faulty goods and services, Paswan said, "If any consumer items is found defective, the regulator will have power to conduct investigations, either suo motto or on a complaint, into violations of consumer rights."

On the basis of such investigations, the authority would have power to recall goods found to be unsafe or withdrawal of services found to be unsafe or hazardous and order reimbursement of the price of the goods, he said.

PTI

GOI

A capital plan

In choosing to build the capital of Andhra Pradesh in the Vijayawada-Guntur region, Chief Minister N. Chandrababu Naidu went by its central location, its proximity to the cities of Vijayawada and Guntur and the availability of land, rather than by the cost of land acquisition. The locational advantages clearly outweigh the relative disadvantage of land cost, and Mr. Naidu must have felt justified in overruling the report of the Sivaramakrishnan Committee, appointed by the Union Home Ministry to identify alternative locations for the new capital of Andhra Pradesh. Where Mr. Naidu and the Committee agree is on the decentralised development of the State: Andhra Pradesh will now have three mega-cities and 14 smart cities, and not just one super-capital. Even while rejecting the Committee's objections to raising a capital in the Vijayawada-Guntur-Tenali-Mangalagiri region, the Chief Minister seems to be conscious of its concerns about concentrating development in a single, large capital city. But Mr. Naidu also invoked popular sentiment to justify his decision, noting that nearly 50 per cent of the representations received by the Committee favoured the Vijayawada-Guntur region as the best possible location. Any area around Vijayawada would allow easier access to the capital to people from all regions of the State, and provide for more even development.

The Sivaramakrishnan Committee, while proposing the development of a string of cities as business and industrial hubs, and the distribution of government offices across districts, went strictly by its terms of reference. The panel was particular that the development of the capital and accommodation of government offices cause the least possible dislocation to existing agricultural systems, promote environmentally sustainable growth, and minimise the cost of land and construction. But while, as the Sivaramakrishnan Committee report says, distances are no longer a deterrent at a time of increased road and rail connectivity and modern electronic communication systems, a centrally located and easily accessible capital city is essential for smooth and speedy governance. Conversion of farmlands, displacement of people dependent on agriculture, and the cost of land acquisition and construction are serious issues, but Andhra Pradesh needs to have a capital with important government offices in close proximity. Hyderabad will remain a joint capital only for 10 years, and the creation of the capital will have to begin soon and be completed quickly. The Vijayawada-Guntur region suggested itself, and will be ideal for the new capital once landowners are given fair compensation, and conversion of agricultural lands is kept to the minimum. Finding the resources for building the capital is not an insurmountable task.